Slow growth seen for '88

A majority of economists surveyed by *Pensions & Investment Age* expect slow to moderate economic growth to continue in 1988.

However, several expressed concern Congress could derail that growth with ill-advised trade legislation, which some thought could bring on a worldwide recession.

And one — Irwin Kellner, chief economist at Manufacturers Hanover Trust, New York — declared a recession already had begun, and predicted real economic growth next year would be zero in the first half and −1.9% in the second.

Mr. Kellner said he believed the recession already had begun because consumer spending, which is two-thirds of the gross national product, is lower than a year and a half ago, and the rise in GNP this year has been mainly on the production side. A lot of it is for inventory, he said.

In addition, the leading indicators were flat in September, down in October and down in November, he said, and fiscal policy had been tight, with the deficit dropping by one-third in the fiscal year ended Sept. 30. Interest rates are still higher than a year ago, and auto sales have declined, as have housing starts.

Recession

While not as gloomy as Mr. Kellner, three other economists said there was a 50% chance or better of having a recession in 1988.

Thom Brown, chairman of the investment policy committee at Butcher & Singer Inc., Philadelphia, and Ken Safian, president of Safian Investment Research Inc., New York, both said there was a 60% chance of a recession in 1988, and Robert Dederick, executive vice president and chief economist at Northern Trust Co., Chicago, said the chance of a recession was 50%.

Key in Mr. Brown's expectation of a recession is the belief Congress will do "something stupid," such as enact protectionist trade legislation. Such legislation "would be nuts" he said, but added: "Never underestimate what a politician will do in an election year."

Mr. Safian also was concerned a continued weakening of the dollar might prompt protectionist trade legislation in the United States.

Those concerns were echoed by several of the economists interviewed.

John Rutledge, chairman of Claremont Economics Institute, Claremont, Calif., said there was a danger of a "trade meltdown" if the United States enacts restrictive trade legislation and other countries responded.

A related danger, he said, is a boycott by foreign investors, making financing of the budget deficit more difficult. "We have treated foreign investors abysmally," Mr. Rutledge said.

David Bostian, president of Bostian Research Associates, New York, who expects 3.6% growth in the first half of 1988 followed by 3.8% growth in the second, is also concerned about protectionism. "If the trade deficit doesn't improve, it could precipitate protectionist trade legislation, which could slow economic growth," he said.

Economic growth

Despite the concerns, the majority of the economists expected slow to moderate growth in the economy, with most expecting stronger growth in the second half.

The most optimistic was David Levine, chief economist at Sanford C. Bernstein & Co., New York, who predicted a 6.7% GNP growth rate in the first half followed by a 4.3% growth rate in the second half.

Mr. Levine based his optimistic predictions on the fact "inventories have gotten to be very lean, relative to demand." Because of this, he expects an upswing in inventory building and capital spending. In addition, the economy will be helped significantly by an increase in foreign trade, which will offset any increase in interest rates, he predicted.

Mr. Bostian was optimistic because in recent years companies have been modernizing equipment and trying to lower their break-even points, and an increase in orders could result in market profitability improvements.

Lacy Hunt, chief economist at Carroll, McEntee & McGinley, Philadelphia, also predicted GNP would grow at a 3.6% annual rate in the first half of 1988, dropping slightly to a 3.2% rate in the second.

Mr. Hunt said the economy in 1988 would be export driven, and corporate spending will be buoyed by strength in exports and heavy industry, which will more than offset weakness from housing and consumer durables. Exports and capital spending account for 24% of GNP, he said, while housing and consumer durables account for only 15%.

Inflation

Most of the economists expected inflation in the first half of the year to be 3.5% or more and to worsen in the second half. Eleven of the 16 interviewed expected inflation to increase to 4.5% or more in the second half.

Mickey Levy, senior vice president and chief economist at Fidelity Bank, Philadelphia, sees lower inflation — 3.5% — in the first half of 1988, rising to 5% in the second half. The low inflation in the first half is the result of lower oil prices, he said, while the acceleration in the second half is because of higher interest rates and stronger production.

Mr. Hunt also looks for higher inflation in the second half — 6% — because labor markets, which already are tightening, will continue to do so, and imports will also boost inflation. In addition, he expects a

Continued on page 46

What the experts predict for 1988

Name	GNP 1st half	GNP 2nd half	Inflation 1st half	Inflation 2nd half	90 day T-bills rate July 1	90 day T-bills rate Dec. 31	30-year Treasuries July 1	30-year Treasuries Dec. 31	Federal deficit fiscal '88 ($ billions)	Trade deficit '88 ($ billions)	Chance of recession in '88
David Bostian Bostian Research Associates	3.6%	3.8%	3.6%	3.8%	6 %	6.4 %	7.9 %	7.5 %	134	92	5%
Thom R. Brown Butcher & Singer Inc.	2.5	1.5	3.5	4.5	NA	NA	9	10	175	Less than 100	60
Robert A. Brusca Nikko Securities Co. International	2	2.5	3.2	4.7	5.7	6.5	8.25	9.75	NA	152	30
Robert Chandross Lloyds Bank in North America PLC	1.5	1.6	4.2	4.7	6	6.5	8.75	9.25	160	170	20
Robert Dederick Executive vice president Northern Trust Co.	1	2.5	4	4	5.5	6.25	8.25	9	165	160	50
Lacy Hunt Chief economist Carroll, McEntee & McGinley	3.6	3.2	3.8	6	6.4	7	9.55	10	180.2	172.4	10
Deborah Johnson/ Edward Yardeni Prudential-Bache Securities	2.7	2.9	3.5	4.5	5.3	4.8	8.5	8	175	100	10
Irwin Kellner Chief economist Manufacturers Hanover Trust Co.	0.0	−1.9	4.6	5.7	5.5	5.1	8.5	8	170	155	100
David Levine Chief economist, Sanford C. Bernstein & Co.	6.7	4.3	5	5.7	7.75	8.75	10.75	11.5	155	145	5
Mickey Levy Senior vice president Fidelity Bank	1.7	3.2	3.5	5	5.6	6.6	9	10	170	158	20
David Littman VP & Sr. economist Manufacturers National	1.8	2.65	5	5.7	6.75	7.25	8.9	10.5	180	155	30
Richard Rippe Sr. VP & economist Dean Witter Reynolds	1-1.5	2.5-3	4	4.6	NA	NA	NA	NA	157	158	20-25
John Rutledge Chairman Claremont Economics Institute	2.8	3.3	2.8	3.5	5	5.4	8.3	8.5	130	150	25
Kenneth Safian President, Safian Investment Research	0.5	0.0	4	3.5	5.75	5.5	8.75	8	160	155	60
Francis H. Schott Chief economist Equitable Life Assurance Society	2	3	4.5	5.5	6.5	7	9.5	10	165	145	30
Donald Straszheim Chief economist Merrill Lynch Pierce Fenner & Smith	−0.1	2.1	4.4	NA	5.75	6.3	8.75	9.45	170	124	33

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Fiduciary duty in mergers eyed

By Brad Rudin

CHICAGO — Whether Duff & Phelps Inc. breached its fiduciary duty to an employee stockholder by failing to disclose merger negotiations will be decided early next year by a federal court jury.

This case, along with a related one for which a Supreme Court review is being sought, could shed light on when, during negotiations, a closely held corporation has a duty to disclose the talks to selling shareholders.

While a publicly held corporation may keep silent about a merger agreement until the price and structure of the deal is agreed upon, privately held companies must disclose the negotiations before price and structure are decided. The decision to sell the company as well as the status of those negotiations, however, must be made only to the person considering selling stock.

Whether the negotiations were material to an employee's decision to sell the stock is the question.

The Duff & Phelps' case suggests the officers of closely held corporations should proceed cautiously when they are in simultaneous negotiations with employees who are selling their stock and other corporations interested in buying the company.

"I don't think it takes very much common sense to say 'maybe we ought to be taking a look at this,' " said Richard C. Leng, a Chicago lawyer who is representing Donald J. Guy, the former Duff & Phelps employee.

Mr. Guy contends his decision to leave Duff & Phelps would have been influenced by information about merger negotiations, which — if successful — would have boosted the stock's value.

Under the stock purchase agreement, employees had to sell their shares back when they left.

Mr. Guy left Duff & Phelps in 1983, not knowing Chairman Claire Hansen was negotiating a merger agreement with Security Pacific National Bank, Los Angeles. That agreement fell through in 1985. Soon after, the company was sold to an employee stock ownership plan.

Mr. Guy's departure from Duff & Phelps was sparked by a dispute with Mr. Hansen over a commodities trading business, which Mr. Guy said he would not abandon. Mr. Hansen then terminated Mr. Guy's employment.

Mr. Guy received book value for the 200 Duff & Phelps shares he held. The difference between the book value and the price offered by Security Pacific should be the basis for determining the damages awarded to Mr. Guy, Mr. Leng said. Damages will be considered by a jury when the trial begins in May.

A federal district judge threw out Mr. Guy's suit in 1985, but withdrew that dismissal Oct. 23 because of a March 1987 appellate case — also involving a former Duff & Phelps employee — that held a closely held corporation has a fiduciary duty to disclose material information to investors from whom it purchases company stock. ■

Corrections & clarifications

• Chuck Rawlins, assistant treasurer at Georgia Power Co., Atlanta, was identified incorrectly as chairman of the **National Corporate Cash Management Association** standards committee. Mr. Rawlins heads the standards committee task force on account analysis. Raymond L. Cushing, corporate cash manager at Nordson Corp., Amherst, Ohio, is chairman of the standards committee.

• The investment returns of **MTrust Dallas** were omitted inadvertently from the Nov. 16 PIPER listings. MTrust's growth fund was up 48.6% for the 12 months ended Sept. 30, ranking in the top 10% for the period. For three years, it was up 29.5% compounded annually, and for five years, it was up 25.5% compounded annually; both figures placed it in the top 25% for the periods.

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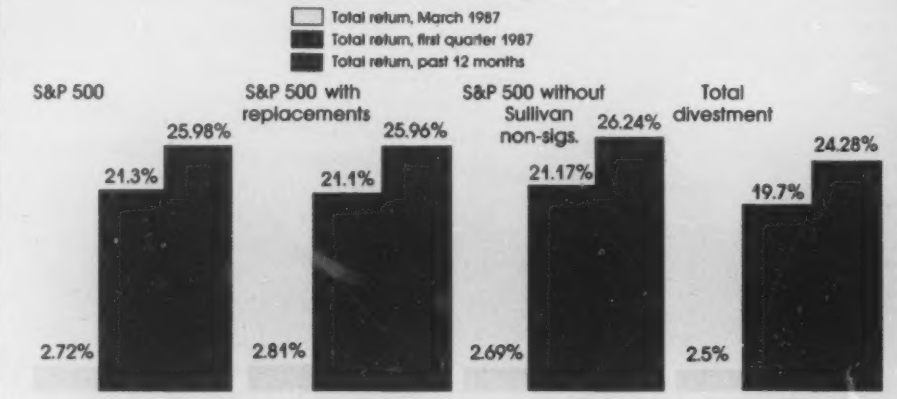
Statistically speaking

The Statistically Speaking page offers an at-a-glance look at statistics for the latest quarter.

The Wilshire South Africa Free Index, Mercer-Meidinger bullet GIC data, First Chicago's MMI and the Russell 3000 returns will appear regularly.

Other data will be used as time and space allow.

South Africa Free Index



Source: Wilshire Associates, Santa Monica, Calif.

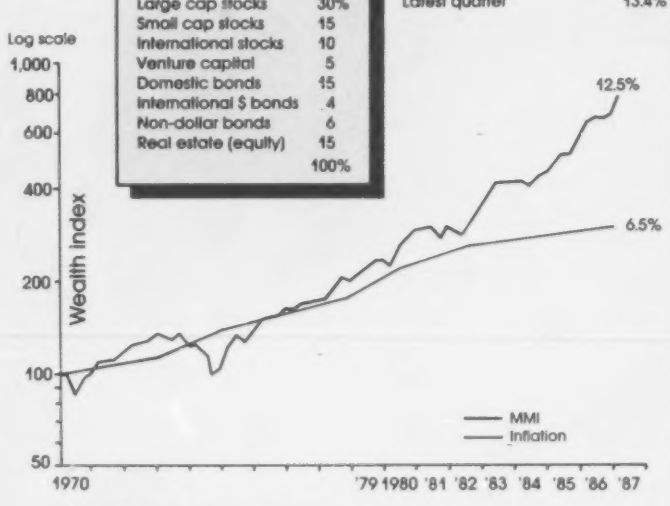
S&P 500 with replacements: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 20 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.

	Weights
Large cap stocks	30%
Small cap stocks	15
International stocks	10
Venture capital	5
Domestic bonds	15
International $ bonds	4
Non-dollar bonds	6
Real estate (equity)	15
	100%

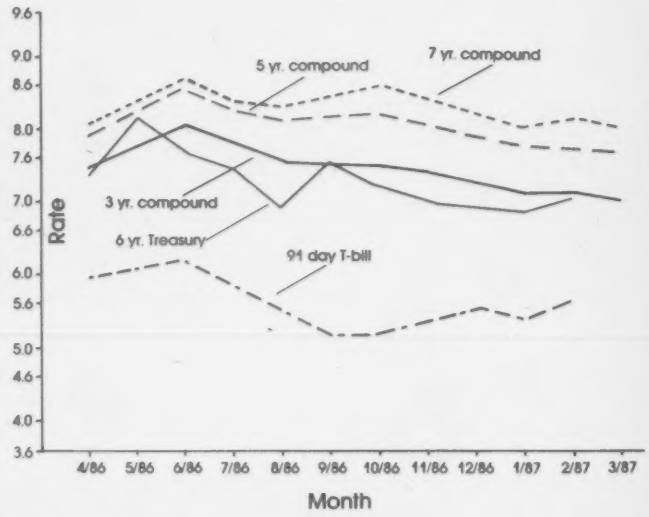
Five-year annualized return	22.2%
One-year return	20.9%
Latest quarter	13.4%



12/31/69 = 100 Data through 3/31/87

Source: First Chicago Investment Advisors, Chicago

William M. Mercer-Meidinger-Hansen Inc. summary of average bullet GIC data vs. market yields ($ millions)



Source: William M. Mercer-Meidinger Inc., Louisville, Ky.

First quarter 1987 returns

	Russell 3000	Russell 1000	Russell 1000 by market capitalization				Russell 2000
			Large	Medium/large	Medium	Medium/small	
Technology	30.6%	30.6%	27.1%	33.4%	40.7%	31.2%	30.7%
Health care	26.1	25.8	23.8	30.9	25.4	27.6	28.2
Consumer discretionary	24.5	24.9	24.7	26.5	24.4	22.4	21.9
Consumer staples	19.7	19.6	18.2	21.9	19	15	21.7
Integrated oils	25.4	25.4	25	33.1	15.6	23.5	13.7
Other energy	26.7	25.7	—	27.1	22.8	28.7	34.5
Materials and processing	28.4	28.6	34.8	24.7	29.9	28.3	27.6
Producer durables	19.6	19	2.2	20	23.4	19.3	23.5
Auto and transportation	22.8	23.3	32.6	22.4	16.3	20.2	16
Financial services	13.1	12.7	20.7	9.1	11.9	14.7	17.4
Utilities	3.4	3.2	2	3.7	3.9	6.1	12.5
Total	20.6	20.2	20.3	20.2	20	20.4	24.3

Source: Frank Russell Co., Tacoma, Wash.

Statistically speaking

South Africa Free Index

Source: Wilshire Associates, Santa Monica, Calif.

S&P 500 with replacements: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 20 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

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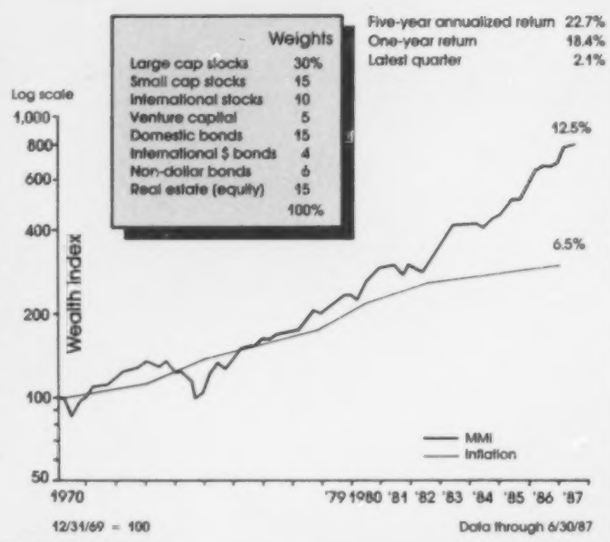
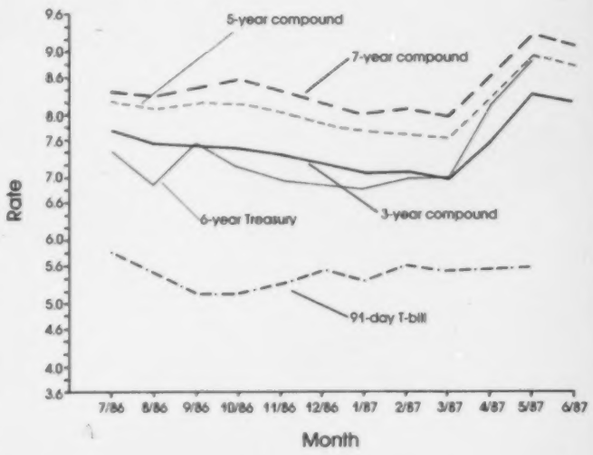


Source: First Chicago Investment Advisors, Chicago

William M. Mercer-Meidinger-Hansen Inc. summary of average bullet GIC data vs. market yields ($ millions)



Source: William M. Mercer-Meidinger-Hansen Inc., Louisville, Ky.

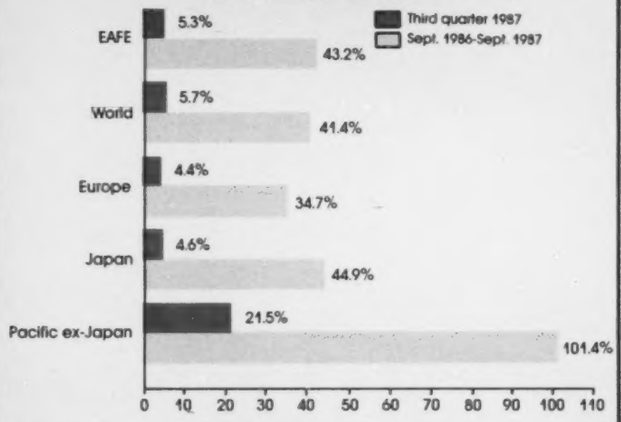
Second quarter 1987 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization				Russell 2000®
			Large	Medium/large	Medium	Medium/small	
Technology	4.9%	5.8%	6.8%	8.4%	−0.5%	5.6	−1.2%
Health care	2.8	3.5	4.2	4.4	2	−5.1	−2.6
Consumer discretionary	5.5	6.3	4.9	7	9.3	2.6	0.1
Consumer staples	4	4.2	4.1	5.2	1.8	2.6	−1.5
Integrated oils	9.8	9.8	10.7	2.2	9.9	2.7	−1.2
Other energy	7.8	7.2	--	8.2	5.5	8.6	11.5
Materials and processing	1.8	2	8.9	0.1	−1.2	4.9	0.7
Producer durables	1.2	1.5	−9.1	1.7	4	2.9	−0.8
Auto and transportation	8.7	9.4	12.6	12.2	3.3	5.4	−1.3
Financial services	−2	−1.6	−1.4	−1.3	−1	−3.2	−6.7
Utilities	−0.4	−0.4	2.9	−3.5	−1.8	−4.6	0.7
Total	3.4	3.8	6.1	3.6	2.1	0.9	−0.7

Source: Frank Russell Co., Tacoma, Wash.

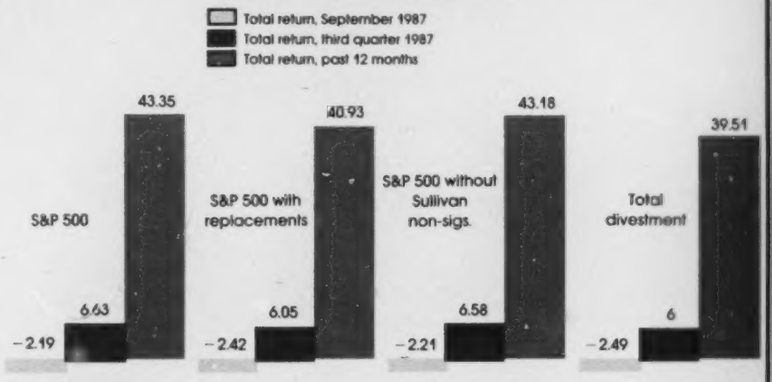
Statistically speaking

Morgan Stanley Capital International worldwide indexes



Source: Morgan Stanley Capital International
Indexes are in US dollar terms without dividends reinvested

South Africa Free Index



Source: Wilshire Associates, Santa Monica, Calif.

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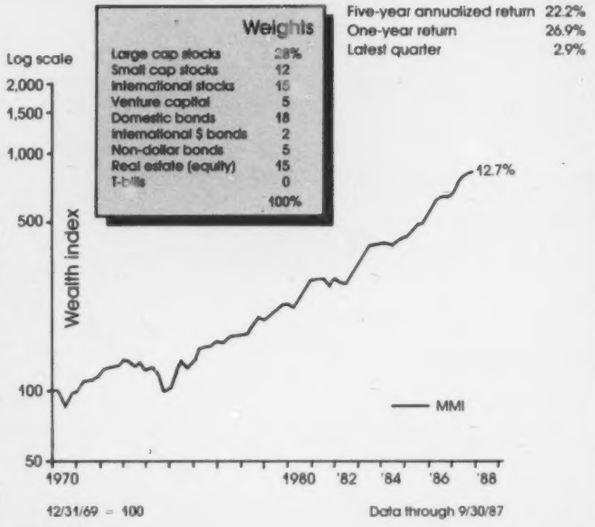
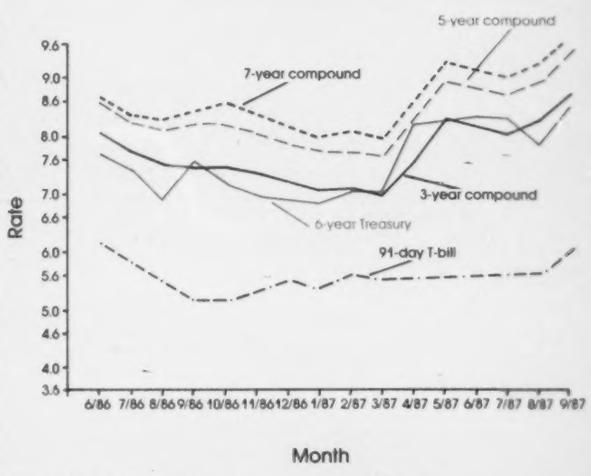


Source: First Chicago Investment Advisors, Chicago

William M. Mercer-Meidinger-Hansen Inc. summary of average bullet GIC data vs. market yields ($ millions)



Source: William M. Mercer-Meidinger-Hansen Inc., Louisville, Ky.

Third quarter 1987 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization				Russell 2000®
			Large	Medium/large	Medium	Medium/small	
Technology	6.7%	7 %	2.7%	13.8%	14.6%	8.3	4.9%
Health-care	5.1	5.4	6.1	6	0.7	2.6	2.7
Consumer discretionary	4	4	8.1	3.8	2.9	1.5	4.3
Consumer staples	9.8	10.1	17.3	1	7.6	6.1	1.8
Integrated oils	-0.7	-0.7	-0.5	-3.8	1.2	14.6	8.9
Other energy	0.9	1.5	--	0.1	2.6	2.5	-2.9
Materials and processing	11.6	12	9.9	9.3	15.7	12.2	9.3
Producer durables	12.2	13.5	15.7	10.3	18.1	11.5	3.6
Auto and transportation	5.2	5	0.8	10.1	2.9	4.4	7
Financial services	3.5	3.6	5.5	4.6	1.7	4.5	1.3
Utilities	6.1	6.3	14.5	-0.9	1.2	0.7	0.8
Total	6.1	6.3	7.3	5.5	6.2	5.4	4.2

Source: Frank Russell Co., Tacoma, Wash.

Managers ranked by tax-exempt assets in global accounts

Firm	$ mils.
Templeton International	2,700
Eaton Vance Management	1,440
Fiduciary Trust Co. International*	700
BEA Associates	586
Warburg Investment Management International	371
BA Investment Management International	321
Fidelity International Investment Advisors	300
Capital Guardian Trust	288
Capital Research & Management	246
Beutel, Goodman International	202
Rowe Price-Fleming International	200
PCM International	176
State Street Bank and Trust	158
Lombard Odier Holdings (UK)	143
Schroder Capital Management International	139
ABD International Management	132
J.P. Morgan Investment Management	125
Martin Currie	125
N.M. Rothschild International Asset Management	92
American Express Asset Management	82
First Chicago Investment Advisors	74
IDS International	71
Hill Samuel Investment Advisers	49
Morgan Grenfell Investment Services	49
Citicorp Investment Management	43
Julius Baer Investment Management	33
Batterymarch Financial Management	31
Alliance Capital Management International	23
G.T. Capital Management	23
SBC Portfolio Management International	13
B.T. Investment Management	10
Ivory & Sime International	9
Scudder, Stevens & Clark	7
Capital Management International of Deutsche Bank	3
Arnhold & S. Bleichroeder International	0
Baillie Gifford Overseas	0
Baring International Investment	0
Bessemer Trust*	0
Brown Brothers Harriman	0
Centerre Trust	0
Chase Investors Management	0
Daiwa International Capital Management	0
Fidelity Management Trust	0
Grantham, Mayo, Van Otterloo	0
Kemper-Murray Johnstone International	0
Kleinwort Benson International Investment	0
Mellon-Pictet International Management	0
Nomura Capital Management	0
Oechsle International Advisors	0
Putnam Cos.	0
Wellington Management/TDP&L	0
Wells Fargo	0
Total	8,964

*as of Jan. 1, 1987

Managers ranked by tax-exempt assets in international and global accounts

Firm	$ mils.
State Street Bank and Trust	3,249
J.P. Morgan Investment Management	3,231
Capital Guardian Trust	2,877
Morgan Grenfell Investment Services	2,779
Templeton International	2,700
Fidelity International Investment Advisors	2,300
First Chicago Investment Advisors	2,297
Grantham, Mayo, Van Otterloo	2,246
Rowe Price-Fleming International	1,600
Baring International Investment	1,547
Schroder Capital Management International	1,509
Eaton Vance Management	1,440
Batterymarch Financial Management	1,180
BA Investment Management International	1,109
N.M. Rothschild International Asset Management	1,101
Citicorp Investment Management	965
ABD International Management	838
Warburg Investment Management International	834
Fiduciary Trust Co. International*	813
Nomura Capital Management	800
PCM International	724
G.T. Capital Management	688
Mellon-Pictet International Management	678
Wells Fargo	647
Scudder, Stevens & Clark	615
BEA Associates	586
Daiwa International Capital Management	563
Oechsle International Advisors	492
IDS International	474
Arnhold & S. Bleichroeder International	430
American Express Asset Management	397
Alliance Capital Management International	378
Hill Samuel Investment Advisers	332
Kemper-Murray Johnstone International	325
Capital Research & Management	322
Chase Investors Management	321
Brown Brothers Harriman	298
Putnam Cos.	274
Martin Currie	270
B.T. Investment Management	251
Bessemer Trust*	240
Julius Baer Investment Management	239
Capital Management International of Deutsche Bank	231
Beutel, Goodman International	213
Kleinwort Benson International Investment	187
Lombard Odier Holdings (UK)	180
Centerre Trust	178
Fidelity Management Trust	174
Wellington Management/TDP&L	166
Baillie Gifford Overseas	165
Ivory & Sime International	148
SBC Portfolio Management International	144
Total	46,745

*as of Jan. 1, 1987

Managers ranked by tax-exempt assets in international accounts

Firm	$ mils.
J.P. Morgan Investment Management	3,106
State Street Bank and Trust	3,091
Morgan Grenfell Investment Services	2,730
Capital Guardian Trust	2,589
Grantham, Mayo, Van Otterloo	2,246
First Chicago Investment Advisors	2,223
Fidelity International Investment Advisors	2,000
Baring International Investment	1,547
Rowe Price-Fleming International	1,400
Schroder Capital Management International	1,370
Batterymarch Financial Management	[illegible]
N.M. Rothschild International Asset Management	1,009
Citicorp Investment Management	922
Nomura Capital Management	800
BA Investment Management International	788
ABD International Management	706
Mellon-Pictet International Management	678
G.T. Capital Management	665
Wells Fargo	647
Scudder, Stevens & Clark	608
Daiwa International Capital Management	563
PCM International	548
Oechsle International Advisors	492
Warburg Investment Management International	463
Arnhold & S. Bleichroeder International	430
IDS International	403
Alliance Capital Management International	355
Kemper-Murray Johnstone International	325
Chase Investors Management	321
American Express Asset Management	315
Brown Brothers Harriman	298
Hill Samuel Investment Advisers	283
Putnam Cos.	274
B.T. Investment Management	241
Bessemer Trust*	240
Capital Management International of Deutsche Bank	228
Julius Baer Investment Management	206
Kleinwort Benson International Investment	187
Centerre Trust	178
Fidelity Management Trust	174
Wellington Management/TDP&L	166
Baillie Gifford Overseas	165
Martin Currie	145
Ivory & Sime International	139
SBC Portfolio Management International	131
Fiduciary Trust Co. International*	113
Lombard Odier Holdings (UK)	37
BEA Associates	0
Capital Research & Management	0
Eaton Vance Management	0
Templeton International	0
Total	37,694

*as of Jan. 1, 1987

Top index fund managers

($ millions as of 5/30/87)

	Total indexed	Domestic equity	Domestic fixed	International
Wells Fargo	62,353	37,661	10,916	606
Bankers Trust	28,500	24,700	3,500	300
Mellon Capital	20,000	17,000	3,000	0
State Street Bank	15,180	9,600	1,720	3,860
American Nat'l Bank*	9,550	8,250	1,200	100
Manufacturers Hanover Trust	6,706	106	6,600	0
Chase Investors	6,418	5,500	501	0
Dimensional Fund Advisors	5,153	4,076	964	113
Mellon Bond Associates	4,200	0	4,200	0
Alliance Capital	4,110	3,800	60	250
Manufacturers Nat'l-Detroit	3,409	3,100	9	300
Wilshire Asset Management	2,800	2,800	0	0
Northern Trust	2,688	1,326	1,336	25
T. Rowe Price	2,249	249	1,950	0
The Boston Co.	2,046	1,574	340	132
Prudential Asset	1,910	895	623	392
Lehman Management	1,900	0	1,900	0
Putnam Advisory	1,600	0	1,600	0
Lincoln Capital	1,500	0	1,500	0
The Vanguard Group	1,186	1,160	26	0
Harris Trust	800	500	300	0
Citicorp	660	660	0	0
Axe Core Investors	500	375	0	125
RepublicBank Dallas	475	475	0	0
ASB Capital	467	467	0	0
Tenneco Financial	457	457	0	0
Aetna Life & Casualty	450	250	200	0
Centerre Trust	316	316	0	0
Western Asset	300	0	300	0
Fiduciary Trust	270	0	0	270
BA Investment	267	158	109	0
Metropolitan Life**	220	220	0	0
Travelers Investment	218	166	0	52
First Wisconsin Trust	205	30	175	0
First Interstate/California***	203	162	41	0
MacKay-Shields Financial	180	25	155	0
Nat'l Bank of Detroit	172	172	0	0
Favia Hill	101	0	101	0
The Griffin Group	95	0	95	0
County Investment	75	0	0	75
Irving Trust	70	70	0	0
SeaFirst Bank	70	0	70	0
Total	190,029	126,300	43,491	6,600

*As of 3/1/87
**$124 million in short-term timed index fund
***As of 11/30/86

Portfolio insurance assets hedged ($ mils.)

Firm	As of 3/31	As of 9/30
Advanced Investment Mgmt.	430	580
Aegis Capital Mgmt.	40	55
Aetna Life & Casualty	16,253	17,000
American Nat'l Bank of Chicago	100	100
BEA Associates	728	1,200
Bankers Trust-Investment Mgmt.	3,500	4,000
The Boston Co.	300	300
Centerre Trust	700	620
Drexel Burnham Lambert	NA	2,000
Leland O'Brien Rubinstein	22,000[1]	22,000[1]
Lotsoff Capital Mgmt.	75	280
Mellon Bond Associates	500	NA
Mellon Capital Mgmt.	NA	1,000
J.P. Morgan Investment Mgmt.	4,217[2]	7,000
Morgan Stanley	2,000[2]	NA
Northern Trust	150	150
Oppenheimer Capital	1,000	1,500
Skye Investment Advisors	765	813
The Travelers	125	150
Webster Capital Mgmt.	0	80
Wells Fargo Investment Advisors	10,700	9,200
Westridge Capital Mgmt.	35	40
TOTAL	63,618	68,068

[1] *Pensions & Investment Age* estimate
[2] As of Jan. 1

Japanese assets under management by non-Japanese managers

Manager	Japanese relationship	Discretionary or advisory assets
ABD Int'l Mgmt.	direct	150
Alliance Capital Mgmt.	direct	232
Australia/New Zealand Banking	Daiwa	94
Bankers Trust	Jardine Fleming Bank	2,650
Banque Indosuez	direct	100
	Nikko	NA*
	Nomura	8
Banque Nationale de Paris	Daiwa	NA*
Barclays Bank	direct	560
Baring Int'l Investment	direct	145
	Daichi	50
	Daiwa	130
	Nikko	100
Batterymarch Financial Mgmt.	Taiyo	250
	Yamaichi	60
Capital Guardian Int'l	Nomura	175
Capital Mgmt. Int'l	Nomura	35
Chase Investors Mgmt.	direct	40
	Daiwa	80
	Yamaichi	147
Chemical Bank	direct	1,500
Citicorp Investment Mgmt.	NA	419
CIGNA Asset Advisers	direct	525
County Investment Mgmt.	direct	160
	Daiwa	NA
Credit Commercial de France	Nikko	50
Credit Suisse Trust	Mitsui Trust	762
Dimensional Fund Advisors	Nomura	75
Dreyfus	Daiwa	155
	Daiwa	NA*
Fraser Green	Nikko	10
G.T. Capital Mgmt.	direct	350
	Nikko	NA*
	Nomura, others	250
Hill Samuel Group	direct	520
IDS Equity/Fixed Income Advisors	Daiwa	NA*
Ivory & Sime Int'l	Nikko	30
	Sumitomo Life	100
	Sumitomo Trust	40
	Yamaichi	60
Jardine Fleming Investment Mgmt.	Yasuda Trust	500
Korean Trust	Yamaichi	45
M.&G. Investment Mgmt.	Yamaichi	89
Manufacturers Hanover Investment	direct	399
	NA	126
Mercury Asset Mgmt.	direct	378
	New Japan	100
	Nikko	110
	Yamaichi	90
Merrill Lynch Asset Mgmt.	direct	500
Merrill Lynch	Nomura	NA*
MIM Britannia	direct	500
	Daiwa	NA*
	Yamaichi	NA*
J.P. Morgan	direct	1,000
Morgan Grenfell Asset Mgmt.	NA	750
Murray Johnstone	Yamaichi	280
Paribas Asset Mgmt.	direct	400
Prudential Asset Mgmt.	Nikko	100
Prudential Portfolio Managers (U.K.)	Nomura	190
Putnam	Yamaichi	28
Robeco	Nikko	NA*
Ross and Roll Asset Mgmt.[1]	Daiwa	89
N.M. Rothschild Asset Mgmt.	Nomura	NA*
Royal Trust	Nikko	25
Schroder Capital Mgmt. Int'l	NA	NA
Scudder Stevens & Clark	Nikko	NA*
	Taiyo	NA*
Societe General	Yamaichi	NA*
Union Bank of Switzerland	direct	570
Wardley Investment Services Int'l	direct	167
	Nikko	20
Wellington Mgmt.	Nomura	25
	Yamaichi	50
Wells Fargo Investment Advisors	Nikko	300
TOTAL		16,843

NA* the manager runs a portion of a multimanager fund; breakout by manager is not available
[1] Ross and Roll provides software for investment program; management is by Daiwa International Capital Mgmt.
Source: *Pensions & Investment Age*

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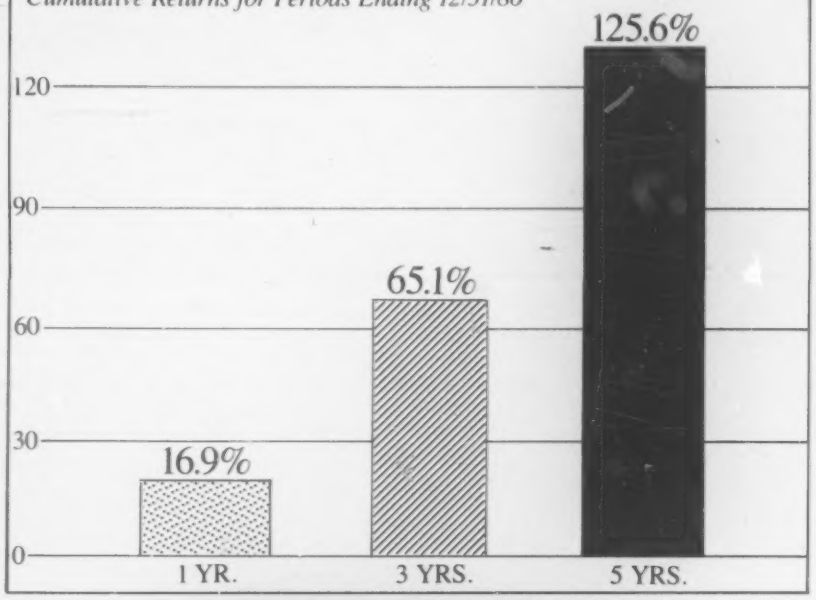
General American's Publicly Traded Bond Fund
Cumulative Returns for Periods Ending 12/31/86



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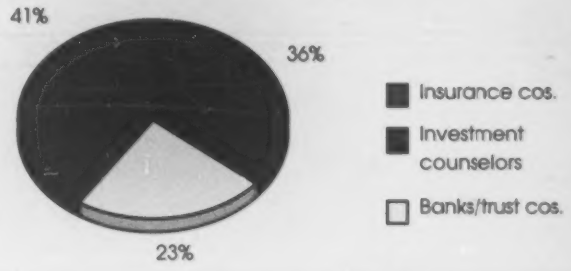
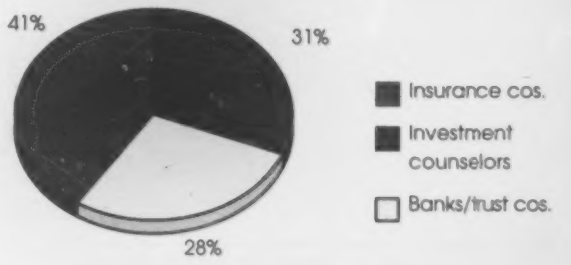
Who manages the money?
(the top 100)



Who manages the money?
(the top 200)



Profile statistics at a glance

Total managers profiled	**984**
Banks, trust cos., subsidiaries	215
Insurance cos., subsidiaries	69
Investment counselors	646
Canadian managers*	54
Total portfolio managers employed	**7,423**
Total security analysts employed	**4,979**
Stocks watched closely (average)	
By banks	287
By insurance companies	239
By investment counselors	204
Stocks watched generally (average)	
By banks	621
By insurance companies	1,188
By investment counselors	933
Percentage of in-house research (average)	
By banks	49
By insurance companies	59
By investment counselors	63
No. of managers using options	**259**
No. of managers using stock-index futures	**126**
No. of managers using fixed-income futures	**122**
Total assets managed ($ millions)	**2,685,361**
Top 200	2,023,927
Top 100	1,788,610
Tax-exempt assets managed ($ millions)	**1,516,126**
Top 200	1,272,842
Top 100	1,036,521
Tax-exempt assets managed ($ millions)	
Banks, trust cos. and subsidiaries	574,132
Insurance cos. and subsidiaries	416,258
Investment counselors	525,736
Real estate assets managed ($ millions)	**74,328**
Equity real estate	54,603
Mortgages	14,681
Mortgage-backed securities	**36,840**
International assets managed $ millions)	**59,899**
Equity	43,589
Bonds	14,255
Cash	2,055
Assets invested in GICs ($ millions)	**101,861**
Assets invested in 401(k)/457 plans ($ millions)	**62,524**

* All other statistics exclude Canadian managers

25 largest investment counseling firms* ranked by tax-exempt assets

Managers	$ millions
Miller, Anderson and Sherrerd	11,500
Lehman Management	11,469
Scudder, Stevens & Clark	11,300
Delaware Investment Advisers	11,103
Boston Co.	10,355
INVESCO Capital Management	9,991
Oppenheimer Capital	9,865
Fayez Sarofim	9,222
Fischer, Francis, Trees & Watts	9,100
Wellington Management	9,076
T. Rowe Price Associates	9,051
Morgan Stanley Asset Management	8,752
Criterion Group	8,198
RCM Capital Management	8,025
Batterymarch Financial	7,771
Sanford C. Bernstein	7,300
Lazard Freres	6,910
Brown Brothers Harriman	6,572
BEA Associates	6,193
Lincoln Capital Management	5,996
Capital Supervisors	5,786
Neuberger and Berman	5,538
Jamison, Eaton & Wood	5,053
National Investment Services	4,828
Barrow, Hanley, Mewhinney & Strauss	4,777
Total	**203,731**

*Excludes bank and insurance company subsidiaries

25 largest banks and trust companies* ranked by tax-exempt assets

Managers	$ millions
Wells Fargo	53,905
J.P. Morgan Investment Management	48,173
Bankers Trust-Investment Management Group	46,900
Mellon Bank	35,899
State Street Bank and Trust	23,572
Citicorp Investment Management	18,608
Manufacturers Hanover Investment	17,713
The Capital Group	17,508
Chase Investors Management	14,579
Northern Trust	12,976
FMR	12,243
Fiduciary Trust	11,445
Trust Co. of the West	10,173
American National Bank & Trust, Chicago	10,100
First Chicago Investment Advisors	9,013
Harris Trust & Savings Bank	8,463
First Interstate Bancorp	8,395
Chemical New York	7,068
PNC Financial	6,490
First Bank System	6,051
AmeriTrust	5,965
RepublicBank Dallas	5,719
Boatmen's National Bank	4,790
Security Pacific	4,674
Bank of Boston	4,665
Total	**405,087**

*Includes subsidiaries' assets

25 largest insurance companies* ranked by tax-exempt assets

Managers	$ millions
Prudential Insurance	76,246
Equitable Life Assurance	62,770
Metropolitan Life Insurance	51,532
Aetna Life & Casualty	38,879
The New England	26,113
Travelers Cos.	22,369
CIGNA	20,795
John Hancock Financial Services	17,148
Pacific Mutual Life Insurance	16,242
New York Life Insurance	14,948
The Principal	12,260
Mass Mutual Life Insurance	8,100
MONY Financial Services	6,703
Mutual Benefit Life	5,878
Lincoln National	5,734
Liberty Mutual Insurance (Stein Roe & Farnham)	5,300
Marsh & McLennan (Putnam Cos.)	5,296
Transamerica Investment Services	4,677
Provident National Assurance	3,949
Kemper Financial Services	3,591
UNUM Life Insurance	3,440
Nationwide Insurance Group	3,309
Continental Assurance	3,279
Mutual of America Life Insurance	3,156
Massachusetts Financial Sevices	3,058
Total	**424,772**

* Includes subsidiaries' assets

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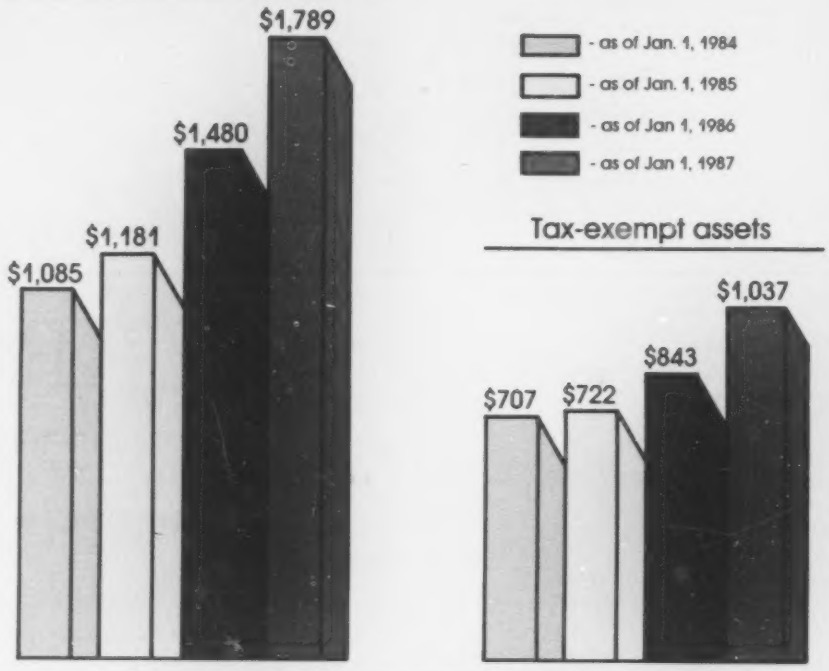
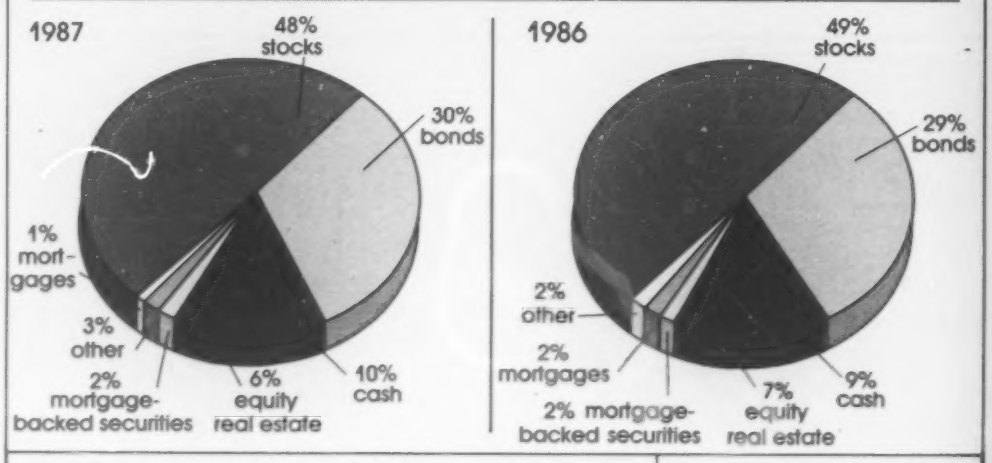
Growth in assets of Top 100 managers
($ billions)



Top 200 money managers' average asset mix



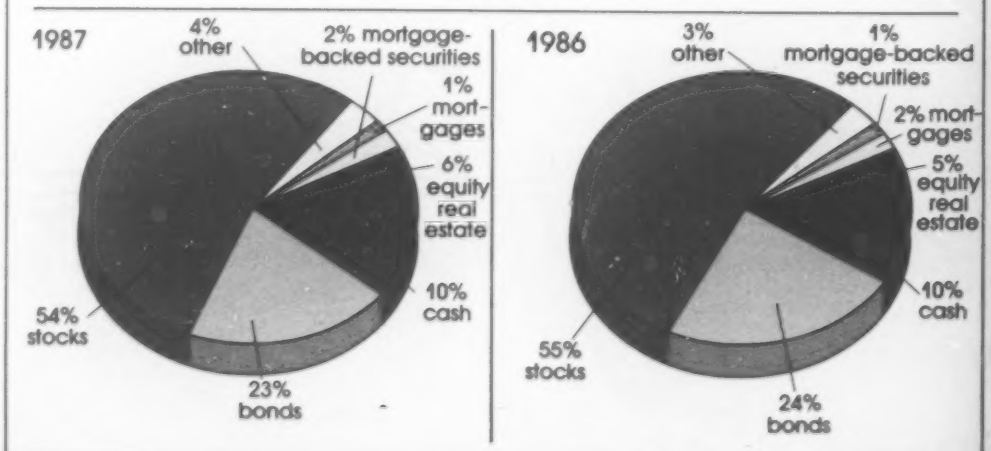
Tax-exempt asset mix (by adviser)

	Banks	Insurance companies	Investment counselors
Stocks	45%	52%	57%
Bonds	34	22	20
Cash	11	11	10
Equity real estate	4	7	6
Mortgages	1	3	1
Mtg.-backed securities	2	1	2
Other	3	4	4

Canadian asset mix

Canadian equities	36%
Bonds	36
Cash	8
Equity real estate	4
Mortgages	3
U.S. equities	8
Other	5

Overall asset mix



Top 100 advisers by total assets ($ mils.)

1. Metropolitan Life	81,581	35. Boston Co.	16,609	69. Centerre Trust	9,632
2. Aetna Life	60,226	36. Lehman Mgmt.	16,077	70. Templeton International	9,600
3. Fidelity Mgmt.	58,000	37. Capital Research & Mgmt.	15,614	71. Batterymarch Financial	9,234
4. Prudential Asset Mgmt.	54,106	38. JMB Institutional Realty	15,300	72. Connecticut Mutual Life	9,142
5. Wells Fargo Investment	53,571	39. Mellon Capital Mgmt.	15,000	73. First Chicago Investment Advisors	9,013
6. Travelers Cos.	51,899	40. Mellon Bond Associates	14,855	74. National Bank of Detroit	9,000
7. J.P. Morgan	49,703	41. Massachusetts Financial	14,669	75. RCM Capital Mgmt.	8,991
8. Bankers Trust-Investment	48,200	42. Capital Guardian Trust	14,483	76. Irving Trust	8,600
9. CIGNA Asset Advisers	44,100	43. Fiduciary Trust	14,013	77. Lord, Abbett	8,596
10. Kemper Financial Services	39,346	44. U.S. Trust Co. N.Y.	13,561	78. RepublicBank Dallas	8,544
11. John Hancock Financial	36,884	45. The New England	13,504	79. Sanford C. Bernstein	8,500
12. Scudder, Stevens & Clark	36,079	46. Harris Trust & Savings Bank	13,117	80. AIM Mgmt.	8,268
13. Putnam Cos.	32,451	47. State Street Research	12,991	81. First Wachovia	8,000
14. Alliance Capital Mgmt.	31,139	48. Criterion Group	12,704	82. Lazard Freres	7,996
15. Equitable Real Estate	29,355	49. Daiwa International Capital	12,500	83. Manufacturers National Bank	7,881
16. Equitable Capital Mgmt.	29,069	50. Bernstein-Macaulay	12,375	84. Boatmen's National Bank	7,464
17. New York Life	29,035	51. Pacific Investment Mgmt.	12,349	85. NCNB	7,248
18. Wellington Mgmt.	28,976	52. Bank of New York	12,287	86. Texas Commerce Bank	7,198
19. Citicorp Investment	26,600	53. County Investment Mgmt.	12,081	87. J&W Seligman	7,102
20. State Street Bank	26,473	54. Brown Brothers Harriman	11,657	88. AIG Global	7,000
21. Vanguard Group	25,000	55. Neuberger and Berman	11,547	89. UNUM Life	6,951
22. Northern Trust	20,726	56. Miller, Anderson, Sherrerd	11,500	90. National City Bank	6,900
23. MHIC	20,655	57. Delaware Investment Advisers	11,400	91. Bank One, Indianapolis	6,871
24. T. Rowe Price	20,200	58. AmeriTrust	11,177	92. Standish, Ayer & Wood	6,859
25. Loomis, Sayles	20,168	59. American National, Chicago	11,025	93. Copley Real Estate Advisors	6,800
26. Jennison Capital Associates	20,000	60. Stein Roe & Farnham	10,800	94. Shearson Asset Mgmt.	6,737
27. Smith Breeden	20,000	61. Trust Co. of the West	10,735	95. BEA Associates	6,485
28. MONY	18,100	62. BA Investment Mgmt.	10,690	96. Nationwide Insurance	6,443
29. Mass Mutual Life	18,000	63. Fayez Sarofim	10,688	97. Fidelity Bank	6,232
30. Mitchell Hutchins	17,932	64. Transamerica Investment	10,406	98. Continental Assurance	6,154
31. Wilmington Trust Co.	17,849	65. Morgan Stanley Asset Mgmt.	10,281	99. First Fidelity Bank	6,100
32. Chase Investors	17,300	66. Oppenheimer Capital	10,241	100. Interfirst Investment	6,078
33. American Capital Mgmt.	17,047	67. INVESCO Capital Mgmt.	10,091		
34. The Principal	16,994	68. Fischer, Francis, Trees & Watts	9,900	**Total**	**1,788,610**

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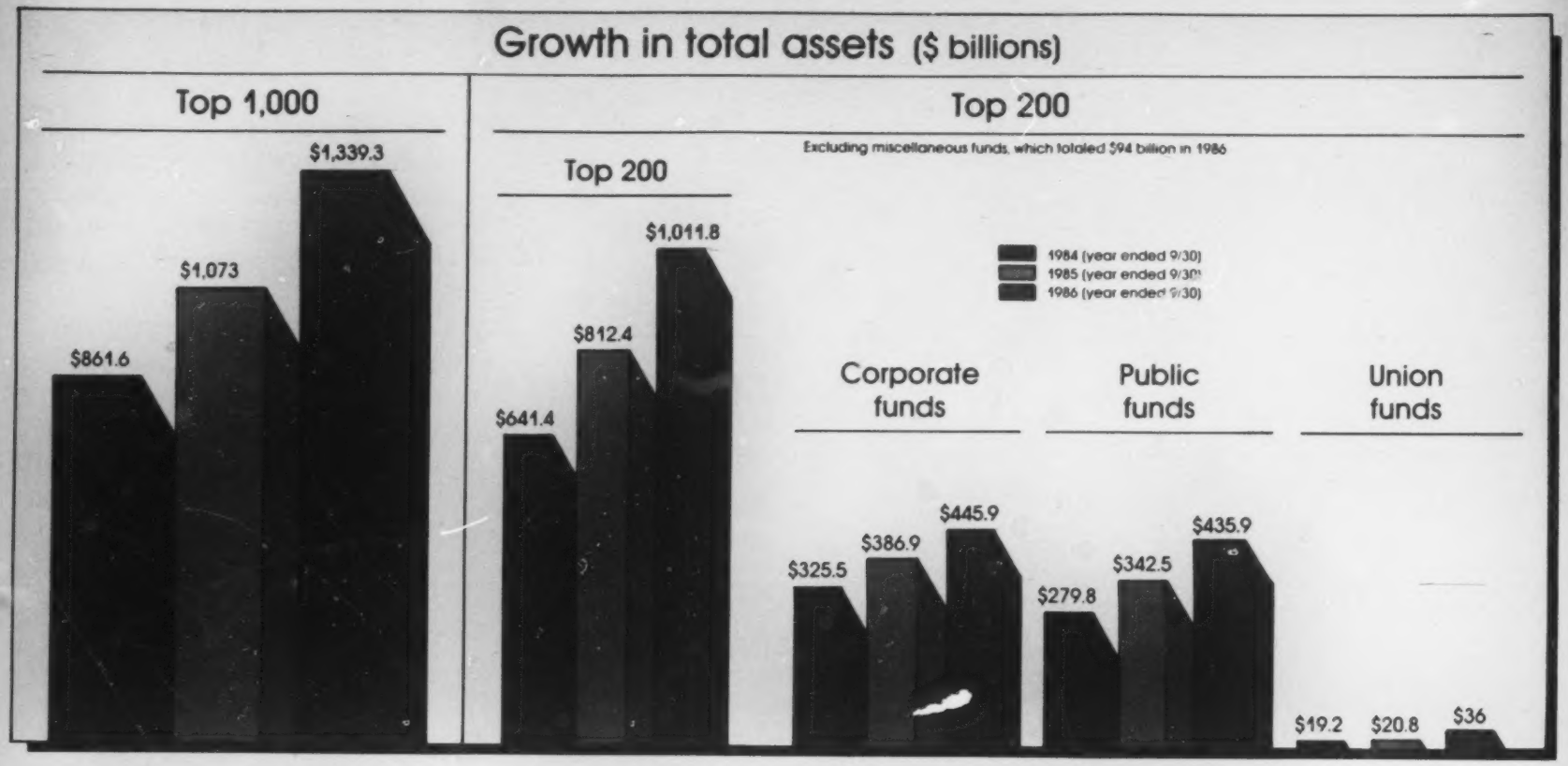

Largest union funds
($ millions)

Fund	Assets
Teamsters Western Conference	7,571
Teamsters Central States	7,070
UMWA Health & Retirement Funds	4,223
Boilermakers-Blacksmiths	1,984
Bakery & Confectionery Workers	1,600
Hospital/Health Care Employees	1,600
International Operating Engineers	1,515
Teamsters New England	1,265
IAM National Pension Fund	1,198
S. Calif. Food/Commercial Workers	1,181
Total	**29,207**

Largest miscellaneous funds
($ millions)

Fund	Assets
TIAA-CREF	52,300
University of California	8,378
United Nations	5,884
Illinois Universities	2,483
United Methodist Church	2,416
World Bank	2,200
Tennessee Valley Authority	2,028
Southern Baptist Convention	1,767
Presbyterian Church U.S.A.	1,750
National Rural Electric Co-op	1,550
Episcopal Church Pension Fund	1,250
Total	**82,006**

Profile statistics at a glance

($ billions)

	1986	1985
Top 1,000 assets	1,339.3	1,073
Top 200 assets	1,011.8	812.4
Top 100 assets	845.7	675.6
Top 50 assets	660.1	523.7
Top 25 assets	479.3	377.6
Top 200 defined benefit	831.1	648.5
Top 200 defined contribution	92.2	75.9
Top 200 profit-sharing	17.4	12.8
Top 200 thrift/401(k)	58.1	48.1

Top 200 fund statistics
($ billions)

	1986	1985
Internal mgmt.	411.9	339.1
Stock index funds	108.9	75.6
Bond index funds	13.8	10.3
Real estate equity	26.2	23.3
Mortgages	30.3	36.8
Mortgage-backed securities	50.5	30.8
GICs	10.5	12
Overseas	24.5	11.7
Venture capital	3.3	2.6
Dedication/immunization	29.4	23
Oil & gas	0.8	0.6
LBOs	2.8	NA
Contribution paid	40.3	42.4
Benefits paid	36.9	31.1
Portfolio insurance	8.6	NA

Number of top 200 funds using alternative investments

	1986	1985
Internal mgmt.	121	117
Stock index funds	100	77
Bond index funds	32	18
Real estate equity	130	121
Mortgages	63	70
Mortgage-backed securities	98	67
GICs	62	62
Overseas	93	78
Venture capital	75	63
Dedication/immunization	37	42
Oil & gas	22	17
LBOs	26	NA
Stock index futures	63	45
Fixed-income futures	46	38
Stock options	62	49
Fixed-income options	22	18
Portfolio insurance	19	NA

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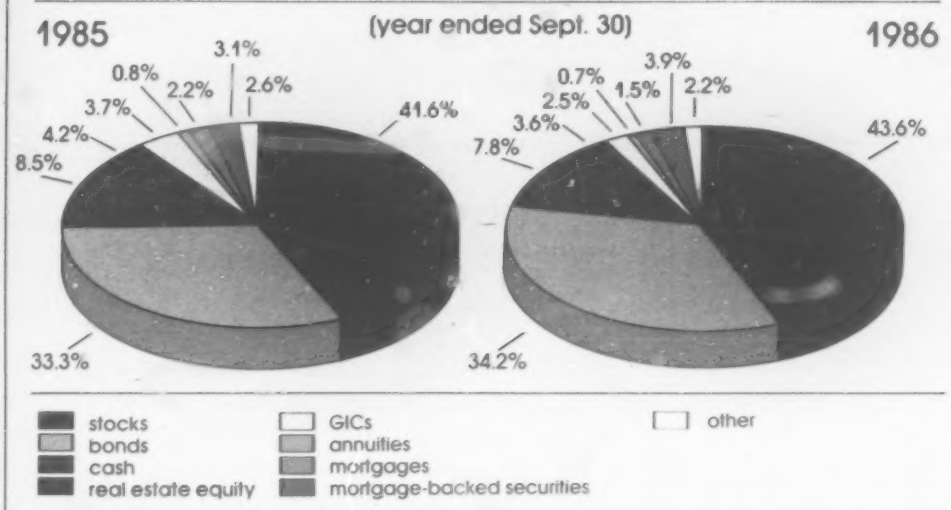
Top 200 Funds
Asset mix



Top 200 asset mix

Corporate

	1986 %	1985 %
Stocks	50.1	48.5
Bonds	27.7	25.6
Cash	7.9	8.1
Real estate equity	4.5	5.3
GICs	3.4	5.4
Annuities	1.3	1.2
Mortgages	0.5	1
Mortgage-backed securities	1	1
Other*	3.6	3.9

Public

	1986 %	1985 %
Stocks	33.4	30.1
Bonds	44.2	46.5
Cash	7.8	8.9
Real estate equity	2.3	2.5
GICs	0.4	0.3
Annuities	0	0.3
Mortgages	2.9	3.8
Mortgage-backed securities	8.3	6.5
Other*	0.7	1.1

Union

	1986 %	1985 %
Stocks	36.1	36.9
Bonds	39.2	32.7
Cash	7.9	12.6
Real estate equity	3.9	3.7
GICs	2.9	5.5
Annuities	0	NA
Mortgages	1.6	2.2
Mortgage-backed securities	4	4.2
Other*	4.4	2.2

* Other includes venture capital, oil and gas and misc. investments.

Largest public funds
($ millions)

Fund	Assets
California Public Employees	37,700
New York State Common Fund	31,533
New York City Retirement Systems	30,839
New York State Teachers	20,235
California State Teachers	19,361
New Jersey Division of Investment	16,901
Michigan State Employees	13,580
Ohio Public Employees	13,567
Wisconsin Investment Board	13,500
Texas Teachers	13,198
Ohio Teachers Retirement System	12,484
Florida Board of Administration	11,544
Pennsylvania School Employes	10,078
North Carolina Retirement Systems	10,003
Minnesota State Board	8,658
Georgia State Retirement Systems	8,382
Washington State Investment Board	8,100
Los Angeles County	7,293
Maryland State Retirement	6,778
Pennsylvania State Employees	6,730
Oregon Employes Retirement	6,522
Colorado Public Employees	6,322
Virginia Retirement System	6,296
Illinois Teachers	5,952
Arizona State Retirement System	5,507
Total	**331,063**

Largest corporate funds
($ millions)

Fund	Assets
General Motors Corp.	32,900
American Telephone & Telegraph Co.	30,340
General Electric Co.	22,891
IBM Corp.	18,191
Ford Motor Co.	14,600
E.I. du Pont de Nemours & Co. Inc.	12,218
NYNEX Corp.	11,962
Ameritech	10,478
Bell Atlantic Corp.	9,500
USX Corp.	9,400
GTE Corp.	8,962
BellSouth Corp.	8,750
Pacific Telesis Group	8,500
Exxon Corp.	7,550
U S WEST Inc.	7,350
Boeing Co.	7,200
Sears Roebuck & Co.	6,784
Eastman Kodak Co.	6,631
Allied-Signal Inc.	6,600
Southwestern Bell Corp.	6,208
United Technologies Corp.	6,108
Lockheed Corp.	6,085
Rockwell International	5,986
Chevron Corp.	5,898
Shell Oil Co.	5,811
Total	**276,903**

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**The "Salomon Brothers Broad Investment-Grade Bond Index" is a trademark of Salomon Brothers Inc.

Bottom 800 asset mix

Corporate

	1986 %	1985 %
Stocks	49.9	47.7
Bonds	25.8	20.2
Cash	10	9.7
Real estate equity	3.8	3.8
GICs	5.1	12.7
Mortgage-backed securities	0.7	*
International	2.5	1.3
Options	0.1	*
Futures	0.2	*
Venture capital	0.4	*
Oil & gas	0.1	*
Other*	1.4	4.6

Public

	1986 %	1985 %
Stocks	37.4	36.1
Bonds	38	40.7
Cash	11.2	12.4
Real estate equity	3.6	3.5
GICs	1.2	2.3
Mortgage-backed securities	3.7	*
International	0.4	NA
Options	0.1	*
Futures	0	*
Venture capital	0.2	*
Oil & gas	0	*
Other*	4.2	5

Union

	1986 %	1985 %
Stocks	29.5	26
Bonds	37.6	39.7
Cash	10.3	10.6
Real estate equity	4	3.1
GICs	5.7	6.2
Mortgage-backed securities	7.1	*
International	0.4	0.1
Options	0.2	*
Futures	0	*
Venture capital	0.2	*
Oil & gas	0	*
Other*	5	14.3

* Other includes mortgages and annuities. In 1985 it also included mortgage-backed securities, options, futures, venture capital and oil and gas.

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The top 10 in leveraged leasing

Company	Total volume ($ mils.)	Underwriters
Northwest Airlines	760.1	First Boston; Bankers Trust
Catalyst Energy Development	706.9	Drexel Burnham Lambert; Goldman, Sachs
Public Service Co. of New Mexico	575	Kidder, Peabody; Drexel Burnham Lambert; Goldman, Sachs
Bethlehem Steel	495	Morgan Guaranty Trust; Goldman, Sachs
Arizona Public Service	491.3	First Boston
Fred Meyer	397.7	Goldman, Sachs
Delta Air Lines	384.1	Citicorp
IBM Credit[1]	367	Merrill Lynch Capital Markets
American Airlines	344.3	Merrill Lynch Capital Markets; Salomon Brothers; PaineWebber; Babcock & Brown Financial; Bankers Trust
Western Air Lines[2]	314.7	PaineWebber; Salomon Brothers

[1] Partnership between IBM Credit and outside investors
[2] Merged with Delta September 1986
Source: IDD Information Services Inc., New York

Summary of voting results of shareholder rights proposals

Company	Proposal sponsor	% institutional ownership 3/31/87	Georgeson & Co. Report % voting for proposal: as a % of outstanding (with abstentions)	Georgeson & Co. Report % voting for proposal: as a % of shares voting on proposal (with abstentions)	IRRC % voting for proposal: as a % of shares voted (no abstentions)	IRRC % voting for proposal: as a % of shares voting on proposal (with abstentions)
AMR	CalSTRS	31	27.4	37.9	46.9	37.9
American Cyanamid	CREF	58	19.8	28	28.4	28
Anheuser-Busch	CalSTRS/CalPERS[1]	53	10.4	15.9	16.4	15.9
Champion International	Carpenters	61	19.9	30.7	33.2	30.7
Colgate-Palmolive	CalSTRS/CalPERS	45	13.8	21.4[3]	21.4	NA
Control Data	CalSTRS	69	18.4	28.9	29.7	29
Eaton	CREF	54	24.8	32.6	32.7	28
Emery Air Freight	State of Wisconsin	48	26	33.9	41.4	33.9
Federated Department Stores	CREF	73	27.8	36.2	36.2	34
Great Northern Nekoosa	CalSTRS/CalPERS	68	28.6	40.2[4]	40.2	40.2
Honeywell	CalSTRS/CalPERS, State of Wisconsin	67	12.9	25.5[3]	25.5	20.3
Hospital Corp. of America	CalSTRS/CalPERS	61	24.5	35.1	35.8	35
International Paper	CREF	56	18.7	26.3	27.7	26.4
Kraft	CalSTRS/CalPERS	50	15.5	22.4[3]	22.4	21.8
Kroger	CalSTRS/CalPERS	35	17	22.4	22.4	20.9
Louisiana Land & Exploration	CalSTRS/CalPERS	67	19.9	25	27.1	25
McDonald's	CalSTRS/CalPERS	57	25.3	32.3	35.4	32.3
Mobil	Individual	45	20.1	27.2	27.2	25.6
Monsanto	CalSTRS/CalPERS	63	20.8	26.8	30.8	26.9
NCR	CalSTRS/CalPERS	66	21.6	26.4	29.9	26.4
J.C. Penney	CREF	61	25.3	29.2	31.5	NA
Pitney Bowes	CREF	68	23.9	32.6[3]	32.6	28.6
Raytheon	CREF	60	20.9	30.2	30.2	26
Santa Fe Southern Pacific	Individual	44	14	20.1	20.1	16.6
Schering-Plough	CREF	60	19.7	27.1[3]	27.1	26.2
Texaco	CalSTRS/CalPERS	42	16.7	26.9[3]	26.8	21.5
Unisys	CalSTRS/CalPERS	67	12.5	19.2[3]	22.3	19.2
United Technologies	CREF	54	24.3	28.3	32.9	28.3
Upjohn	CalSTRS/CalPERS	59	26.8	34.5	40	NA
USG	CalSTRS/CalPERS	43	[2]	[2]	27.9[5]	NA
USLife	CalSTRS/CalPERS	53	18.5	25.1	26.2	25.1

[1] California Teachers/California Public Employees
[2] Not voted at meeting
[3] Without abstentions
[4] Using total quorum
[5] The proponent did not appear in time
NA not available

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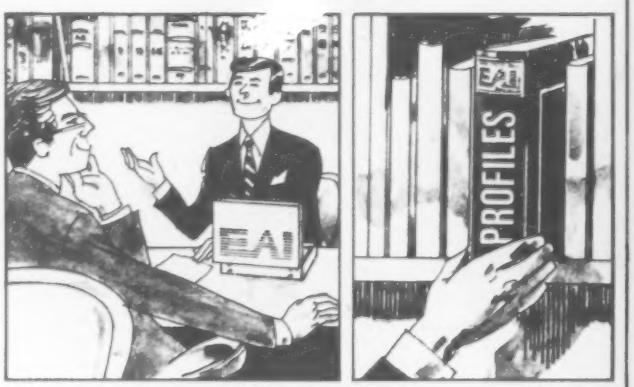

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Top underwriters for first half of 1987 - all issues

U.S. market

Firm	$ mil.	Issues
1. Salomon Brothers	23,737	151
2. First Boston	20,281.4	117
3. Merrill Lynch	18,797.9	133
4. Goldman, Sachs	17,016.1	121
5. Morgan Stanley	16,085.8	112
6. Drexel Burnham	11,246.1	100
7. Shearson Lehman	10,468.9	96
8. Kidder, Peabody	7,031.4	56
9. Bear, Stearns	3,482	35
10. Smith Barney	2,772.6	32
11. Prudential-Bache	2,714.5	29
12. Alex. Brown	2,616.9	30
13. Dillon, Read	2,536.3	22
14. Wheat, First	2,014.3	5
15. Dean Witter	1,898.2	21

Source: IDD Information Services, New York

U.S. issuers (worldwide)*

Firm	$ mil.	Issues
1. Salomon Brothers	24,600.2	155
2. First Boston	21,244.5	124
3. Merrill Lynch	17,838	122
4. Morgan Stanley	16,863	114
5. Goldman, Sachs	16,524.4	120
6. Drexel Burnham	11,299.6	99
7. Shearson Lehman	11,052.6	101
8. Kidder, Peabody	6,957.5	57
9. Bear, Stearns	3,468.3	34
10. Prudential-Bache	2,841.4	30
11. Smith Barney	2,772.6	32
12. Alex. Brown	2,616.9	30
13. Dillon, Read	2,536.3	22
14. Wheat, First	2,014.3	5
15. Dean Witter	1,898.2	21

* Excludes international equities

Worldwide**

Firm	$ mil.	Issues
1. Salomon Brothers	26,947.2	177
2. First Boston	24,952.4	161
3. Merrill Lynch	19,689.7	143
4. Morgan Stanley	18,991	137
5. Goldman, Sachs	18,211.1	133
6. Nomura	12,598.5	85
7. Shearson Lehman	11,755.1	110
8. Drexel Burnham	11,473.7	102
9. Kidder, Peabody	7,181.4	59
10. Daiwa Securities	6,653.7	53
11. Yamaichi	5,302.2	51
12. Union Bank/Switz.	5,113.1	57
13. Deutsche Bank	4,835.3	45
14. Nikko Securities	4,375.5	36
15. Swiss Bank	4,082.9	50

** All issuers, excludes international equities

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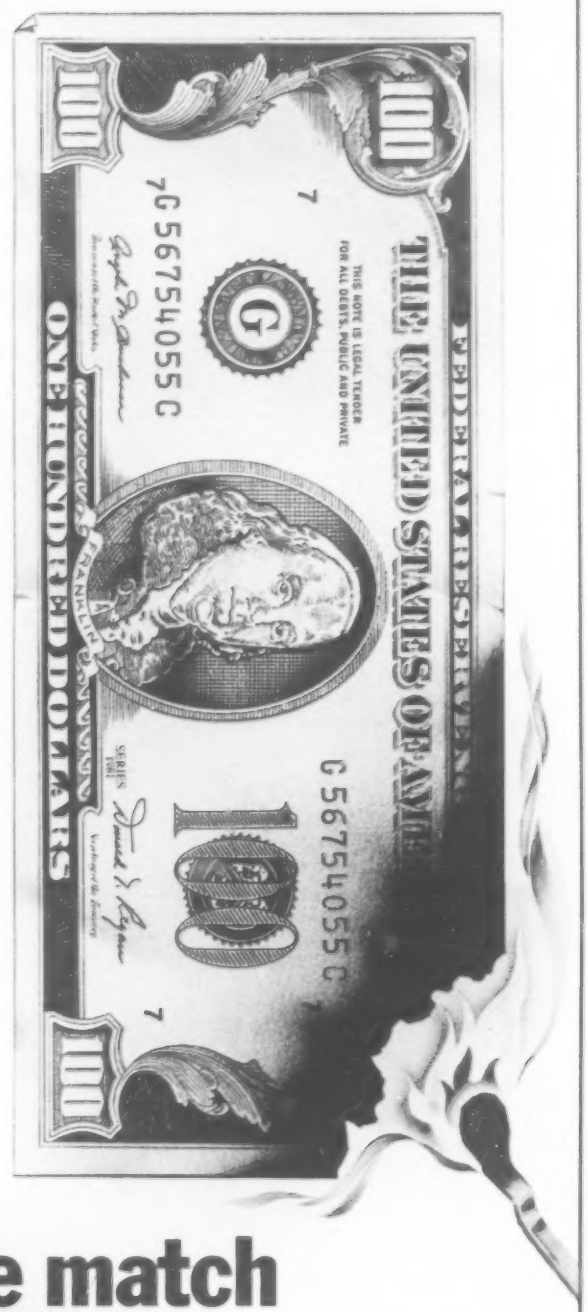

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People

Corporate

Procter & Gamble Co. has elected two officers. **Edwin H. Eaton**, former vice president and treasurer, was named vice president and comptroller. **George M. Gibson**, former vice president and comptroller, was named vice president and treasurer. The moves represent an exchange of responsibilities to broaden the experience of both officers.

The Monsanto Co., St. Louis, has announced corporate changes. **B. Clare Harris** has been promoted to vice president and controller. He has been with Monsanto since 1973, most recently as treasurer. He will be responsible for financial reporting and controls, budgeting, analysis and maintaining accounting records.

Juanita H. Hinshaw succeeds Mr. Harris as treasurer. She will be responsible for corporate finance, cash management operations, risk management, foreign exchange and corporate real estate. Ms. Hinshaw has been with Monsanto since 1984 when she joined as assistant treasurer.

Lawrence B. Skatoff has been appointed vice president-finance. His responsibilities include pension asset management, corporate acquisition and divesture activities along with internal and external financial reporting. Mr. Skatoff joined Monsanto in 1972 as assistant corporate controller.

Managers

Richard J. Rice has been named senior vice president of Cedar Hill Associates Inc., Chicago. Mr. Rice formerly was president of Rodman Properties and senior vice president of Rodman & Renshaw Inc.

Herringer

Ariel Capital Management Inc., Chicago, has promoted **Nancy L. Herringer** and **Darice M. Wright**. Ms. Herringer, formerly a research analyst/portfolio manager, was named executive vice president. Before joining Ariel in 1984, she was an investment broker for William Blair & Co. Ms. Wright, formerly director of marketing and client services, was named senior vice president. Before coming to Ariel in 1984, Ms. Wright worked as an investment broker for Dean Witter.

Wright

Frank L. "Chip" Gillis has been named senior vice president-pension marketing for Southwestern Life Insurance Co., Dallas. He will be responsible for the company's pensions and annuities unit, including marketing of all fixed and variable annuities and group pension products.

Phillips

ASB Capital Management Inc., Washington, the investment subsidiary of American Security Bank, has announced the appointment of **Robert M. Phillips** as senior vice president responsible for the money management department. Mr. Phillips had been vice president in charge of investment counseling for Maryland National Bank; he joined ASB as a result of the trust division consolidation of American Security Bank and Maryland National.

Constitution Capital Management Co., a subsidiary of Bank of New En, Ltd Corp., has named **Harry Sterling Jr.** senior vice president, managing director and director of marketing. Before joining Constitution Capital Management, he was director of client services for State Street Bank and Trust Co.

Robin R. Pinkham has joined Hutton Capital Management as senior portfolio

People

manager and vice president of E.F. Hutton & Co. Before joining Hutton, Ms. Pinkham managed the in-house pension fund at National Forge Co.

Marshall Rauccl Jr. has joined Norstar Investment Advisory Services Inc. as vice president and marketing director. In his new position, he will coordinate all marketing and sales activities for Norvest.

Richard L. Deeter has joined Harris Bank, Chicago, as vice president in the trust department. Mr. Deeter, formerly trust vice president at the First National Bank of Chicago, now is a sales executive for the bank's master trust services to U.S. corporations and institutions.

Real estate

Skram

ASB Capital Management Inc., Washington, the investment subsidiary of American Security Bank has named **John Skram** vice president of real estate investments. Mr. Skram had been general manager of Prudential Bache for six years prior to joining ASB. He will be responsible for originating new real estate investments and managing real estate investment portfolios.

Lowman

Paul R. Lowman has been named director of real estate investments. Before joining ASB, Mr. Lowman was executive vice president and general manager for real estate investments at General Electric Credit Corp. At ASB, Mr. Lowman will serve as an investment adviser for pension fund trustees regarding investment opportunities.

Richard J. Astoreca has joined the property management division of Albert B. Ashforth Inc. as senior vice president of finance and administration. He will be responsible for all accounting, management information systems and administrative functions.

Prior to joining Ashforth he served as vice president of finance and chief financial officer for GHA Lock Joint Inc. of New Jersey.

Organizations

The Profit Sharing Research Foundation has elected new officers. They are: Chairman **John W. Cooper**, vice president, Harris Trust and Savings Bank; Vice Chairman **Mary Ann Lambertsen**, vice president-human resources, Fisher-Price; and Treasurer **Thomas Young Jr.**, president, Young Electric Sign Co. **David Wray**, president of the Profit Sharing Council of America, was named executive director and secretary.

Gilbert L. Beebower, executive vice president of SEI Corp., was named to the Presidential Task Force on Market Mechanisms. The task force is analyzing the causes of the Oct. 19 stock market crash and identify any problems that might threaten the short-term liquidity or long-term solvency of the markets. Other panel members include **Nicholas F. Brady**, chairman of Dillon Read & Co.; **Howard M. Stein**, chairman of Dreyfus & Co.; and **Robert G. Kirby**, chairman of Capital Guardian Trust Co.

David J. MacKenzie has been named president and chairman of the board of the International Foundation of Employee Benefit Plans, based in Brookfield, Wis. Mr. MacKenzie is executive director of the Textile Rental Services Association. **Gerald A. Mele** was named president-elect; he is president and chief executive officer of TEDRO and Associates Inc. **Walter J. Butler** was named secretary; he is international vice president of the Service Employees International Union. Named treasurer was **Charles W. Breitsman**, executive director of Laurel Mechanical Contractors Association Inc.

Earlier, the foundation named **Ardyce Myhre** the director of education. Ms. Myhre, who joined the foundation in 1970, will be responsible for all aspects of foundation educational programs.

Top underwriters for first half of 1987 - bond issues

Straight debt

Firm	$ mil.	Issues
1. Salomon Brothers	21,914.2	125
2. First Boston	17,585.6	90
3. Merrill Lynch	14,541.7	77
4. Morgan Stanley	12,784.1	77
5. Goldman, Sachs	11,965	74
6. Drexel Burnham	8,175.8	52
7. Shearson Lehman	6,829.1	51
8. Kidder, Peabody	4,943.7	28
9. Bear, Stearns	2,694.4	21
10. Prudential-Bache	2,333.7	18
11. Dillon, Read	2,194.5	15
12. Dean Witter	1,131.8	6
13. Smith Barney	1,092.2	11
14. L.F. Rothschild	854.9	8
15. E.F. Hutton	762.6	8

Convertible debt

Firm	$ mil.	Issues
1. Smith Barney	1,200	9
2. Goldman, Sachs	985	11
3. Morgan Stanley	960	11
4. Drexel Burnham	780	16
5. First Boston	535	3
6. Lazard Freres	465	6
7. Alex. Brown	465	6
8. Salomon Brothers	435	3
9. Shearson Lehman	430	6
10. Kidder, Peabody	417	6
11. Bear, Stearns	225	5
12. Merrill Lynch	210	3
13. Dean Witter	115	3
14. Dillon, Read	100	1
15. PaineWebber	75	1

Junk bonds

Firm	$ mil.	Issues
1. Drexel Burnham	5,430.9	41
2. Morgan Stanley	1,873.3	9
3. First Boston	1,806.2	8
4. Merrill Lynch	1,215.7	10
5. Salomon Brothers	703.1	8
6. Donaldson, Lufkin	492.7	3
7. Dean Witter	321.5	2
8. Goldman, Sachs	300	1
9. Kidder, Peabody	253.9	3
10. Smith Barney	248.7	1
11. Bear, Stearns	104.9	2
12. PaineWebber	100	1
13. L.F. Rothschild	85	1
14. Shearson Lehman	50	1
15. E.F. Hutton	32.2	1

Source: IDD Information Services, New York

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Top underwriters for first half of 1987 - stock issues

Common stock

Firm	$ mil.	Issues
1. Goldman, Sachs	3,281.1	23
2. Merrill Lynch	2,927	36
3. Shearson Lehman	2,321.8	29
4. Alex. Brown	2,151.9	24
5. Wheat, First	1,950	2
6. Drexel Burnham	1,712.4	22
7. First Boston	1,355.6	15
8. Morgan Stanley	1,097	14
9. Kidder, Peabody	1,088.2	17
10. Salomon Brothers	912.8	15
11. Wertheim Schroder	554.8	4
12. Smith Barney	480.3	12
13. Dean Witter	462.4	10
14. E.F. Hutton	429.6	9
15. Lazard Freres	362.9	5

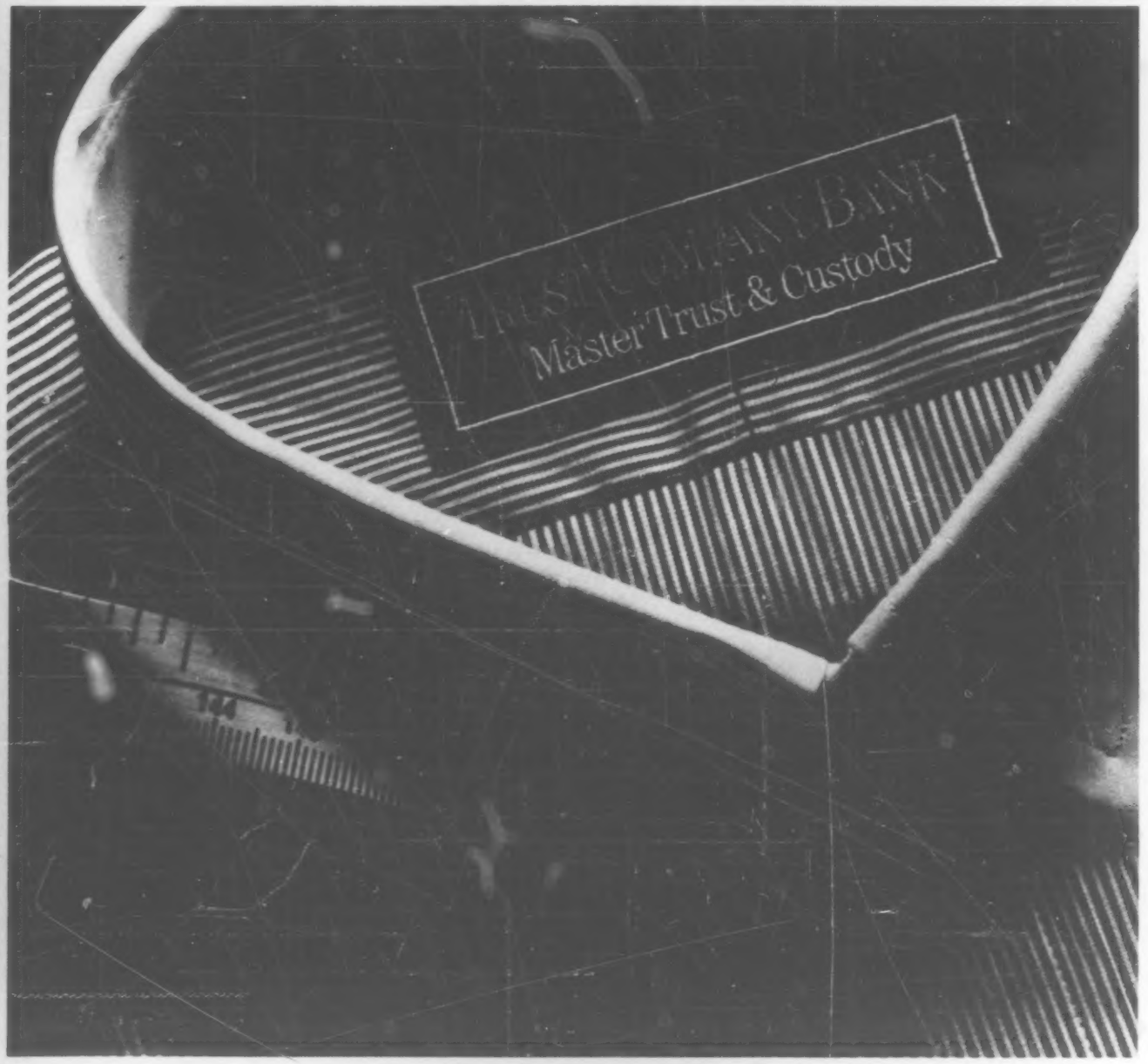
Straight preferred

Firm	$ mil.	Issues
1. Merrill Lynch	853	14
2. Goldman, Sachs	650	11
3. First Boston	551.5	6
4. Morgan Stanley	519.7	6
5. Salomon Brothers	475	8
6. Shearson Lehman	431.1	5
7. Drexel Burnham	375	6
8. Bear, Stearns	280	4
9. Oppenheimer	270	2
10. Kidder, Peabody	115	2
11. PaineWebber	61.4	2
12. E.F. Hutton	50	1
13. Interstate Securities	10	1
14. B.C. Christopher	3.1	1

Convertible preferred

Firm	$ mil.	Issues
1. Morgan Stanley	725	4
2. Kidder, Peabody	467.5	3
3. Shearson Lehman	456.8	5
4. Merrill Lynch	266.2	3
5. First Boston	253.7	3
6. Drexel Burnham	203	4
7. Dean Witter	189	2
8. Donaldson, Lufkin	150	1
9. Goldman, Sachs	135	2
10. PaineWebber	125	2
11. Eastlake Securities	60	1
12. Bear, Stearns	57.5	2
13. Butcher & Singer	12	1
14. L.C. Wegard	6	1

Source: IDD Information Services, New York



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Divested returns scattered

By Trudy Ring

NEW YORK — South Africa-free equity portfolios underperformed the Standard & Poor's 500 stock index for periods ended Sept. 30, according to The Brian Rom Co., a consulting firm.

However, the divested portfolios outperformed median actively managed unrestricted portfolios in some periods.

In the third quarter, the median South Africa-free portfolio in the Rom universe returned 6% to the S&P 500's 6.6%. The South Africa-free version of the index matched the median portfolio's return.

The median unrestricted portfolio, as measured by the Wilshire Cooperative Universe of Wilshire Associates, Santa Monica, Calif., returned 5.6% in the quarter.

For the year ended Sept. 30, the median South Africa-free portfolio returned 33%, compared with 42.8% for the full S&P 500 and 39.5% for the index minus stocks of companies with South African operations. The median unrestricted portfolio in the Wilshire universe returned 33.8%.

For the three years ended Sept. 30, the median South Africa-free portfolio returned 27.5% on a compound annual basis, compared with 29% for the full index and 27.2% for the South Africa-free index. The median unrestricted portfolio returned 25.7%.

The Rom South Africa-free universe consists of 70 portfolios run by 37 managers. Of the portfolios, 37 are fully divested of South Africa-related stocks and 33 are partially divested. There are 66 actively managed portfolios and four passive ones. The portfolios have $6.4 billion in assets.

Some managers of South Africa-free portfolios outperformed the S&P 500 significantly. Ariel Capital Management Inc., Chicago, was tops in the third quarter and the three-year period, with returns of 14.1% and 33.6% respectively.

Ariel specializes in high-quality, undervalued companies that have been ignored by the market, said John W. Rogers Jr., president. Managing South Africa-free portfolios isn't a problem, he said, as Ariel generally doesn't invest in companies with distant geographic operations.

Ariel's third-quarter performance benefited from holding two companies that were the subject of takeovers: **G. Heileman Brewing Co.**, which agreed to be acquired by Bond Corp. Holdings Ltd., Perth, Australia, and **Kenner Parker Toys**, which agreed to be bought by Tonka Corp., Minnetonka, Minn.

Provident Investment Counsel Inc., Pasadena, Calif., topped managers for the 12 months ended Sept. 30 with a 47.8% return.

Provident Investment is a growth-oriented, bottom-up manager that tends to be in domestically oriented companies anyway, so a South Africa restriction doesn't affect it significantly, said Jeff Miller, executive vice president.

Good performers during the year ended Sept. 30 included technology companies such as **Digital Equipment Corp.** and **Apple Computer Inc.**

Early in the period, retail stocks were good performers, Mr. Miller said; one that did well for Provident Investment was **The Limited Inc.**, which the firm has since sold. ■

Datebook

Jan. 6-7, Boston: A seminar "704(b) Partnership Allocation Regulations & Passive Activity Rules" is sponsored by Laventhol & Horwath. For information contact Jill McDonough at (212) 980-3100, ext. 713.

Jan. 14-15, New York: "Taxation of Financial Instruments" is co-sponsored by the American Law Institute-American Bar Association Committee on Continuing Professional Education and the American Institute of Certified Public Accountants. For information contact Donald M. Maclay at (215) 243-1630 or (800) CLE-NEWS.

Jan. 14-15, New York; **Feb. 4-5**, Long Beach, Calif.: American Banker-Bond Buyer is sponsoring "Securitization: Understanding the Elements of Successful Securitization Activities." For information call (212) 943-2221.

Jan. 18-22, Palm Beach, Fla.: "The Effective Executive Workshop, Unit Two" is sponsored by The Center of Executive Education of Johnson Graduate School of Management at Cornell University. For information call (212) 686-2828.

Jan. 21-22, Washington: The American Law Institute-American Bar Association Committee on Continuing Professional Education and the Securities Law Committee of the Federal Bar Association are co-sponsoring "Broker-Dealer Regulation." For information contact Donald Maclay at (800) CLE-NEWS, ext. 1630 or (215) 243-1630.

Jan. 21-22, New York: A seminar on "Pension and Welfare Benefits in Bankruptcy" is presented by the Practising Law Institute. For information call (212) 765-5700, ext. 271.

Jan. 21-22, New York; **Feb. 11-12**, San Francisco: The Practising Law Institute is sponsoring "Leveraged Acquisitions and Buyouts." For information call (212) 765-5700, ext. 271.

Jan. 21, Los Angeles; **Jan. 25**, Chicago: The Bank Securities Association will have formation luncheon meetings administered by The Bankers Institute. For information call (415) 924-1420.

Jan. 25-29, Palm Springs, Calif.: "The Effective Executive Workshop, Unit One" is sponsored The Center for Executive Education of Johnson Graduate School of Management at Cornell University. For information call (212) 686-2828.

Jan. 26, Chicago: "Indexed Deposit Accounts" seminar is sponsored by The Bankers Institute. For information call (415) 924-1420.

Jan. 26-27, Washington: Charles D. Spencer & Associates Inc. is sponsoring "Spencer's Fifth Annual Flexible Compensation Conference." For information call (312) 236-2615.

Jan. 26-27, New York: "Asset Securitization" is sponsored by the Institute for International Research. For information call (212) 883-1770 or (800) 345-8016.

Jan. 26, Dallas; **Jan. 27**, Houston; **Jan. 28**, San Antonio, Texas: "The Economic Outlook in 1988" is sponsored by the Texas Bankers Association in cooperation with Baylor University and Wharton Econometrics. For information call (817) 755-3492.

Jan. 26-28, San Francisco: "The Future of Tax-Exempt Fund Management: Disaster or Opportunity?" will be discussed at Callan Investments Institute Eighth Annual National Conference. For information contact Deanne Christopulos at (415) 974-5060.

Jan. 27-28, Newport Beach, Calif.: Pacific Financial Cos. is sponsoring a pension investment symposium featuring guest speaker Dr. Peter F. Drucker. For information call (714) 640-3030.

Jan. 27-28, Los Angeles: "Proven Strategies for Effectively Structuring and Managing Privatization Contracts" is sponsored by the Institute for International Research. Call (212) 883-1770 or (800) 345-8016.

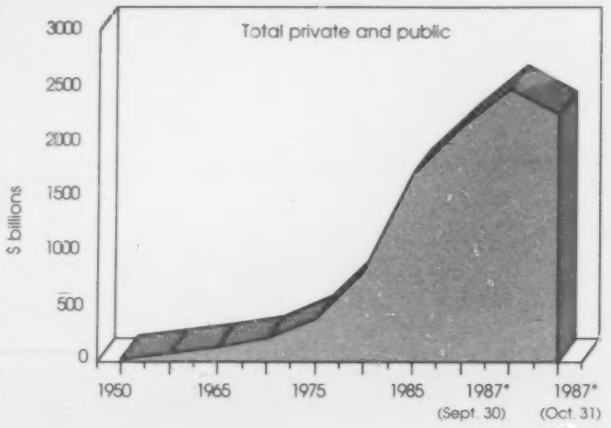
Jan. 28-29, New York; **Feb. 25-26**, San Francisco: "Asset-Based Lending Including Commercial Finance and Acquisition Financing" is sponsored by the Practising Law Institute. For information call (212) 765-5700, ext. 271.

Jan. 29, New York: "Currency Management & Protection" is sponsored by the Institute for International Research. For information call (212) 883-1770 or (800) 345-8016.

Feb. 2-3, Los Angeles: The "1988 Finan-

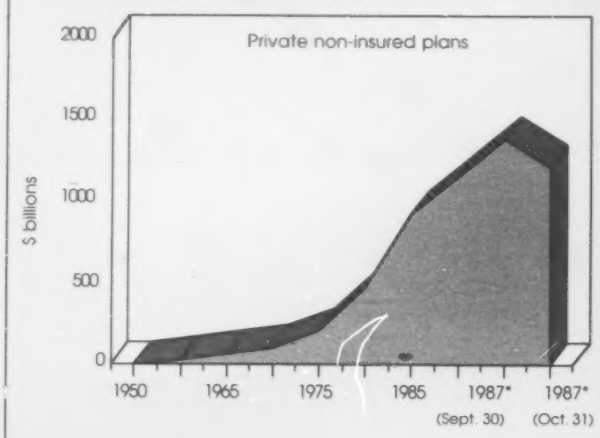
Continued on page 35

Historic growth of pension assets



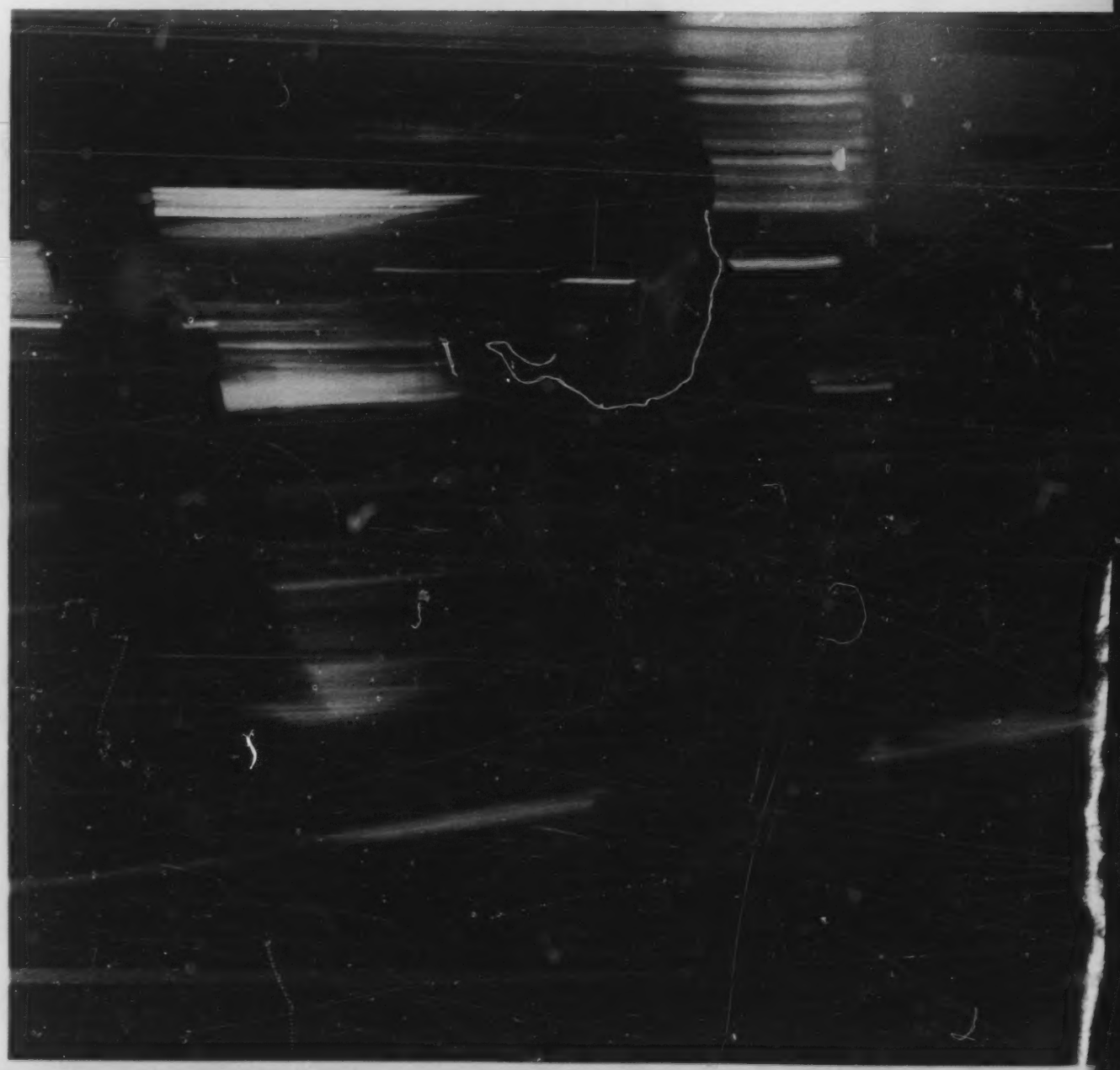
**Pensions & Investment Age* estimates
Sources: EBRI, Council on Life Insurance

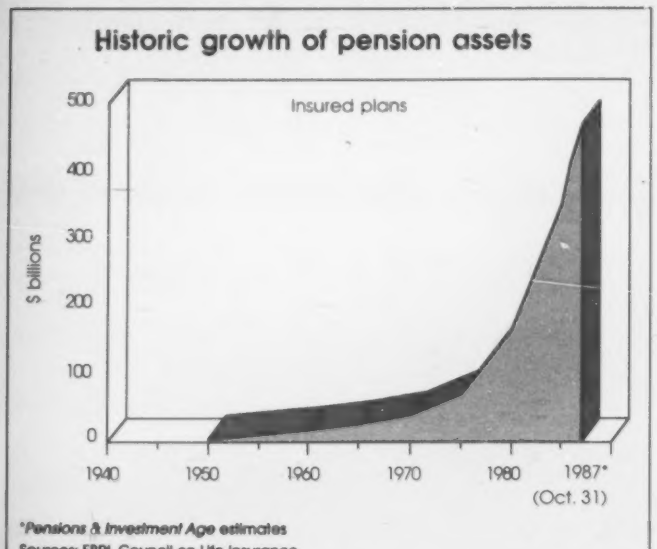
Historic growth of pension assets

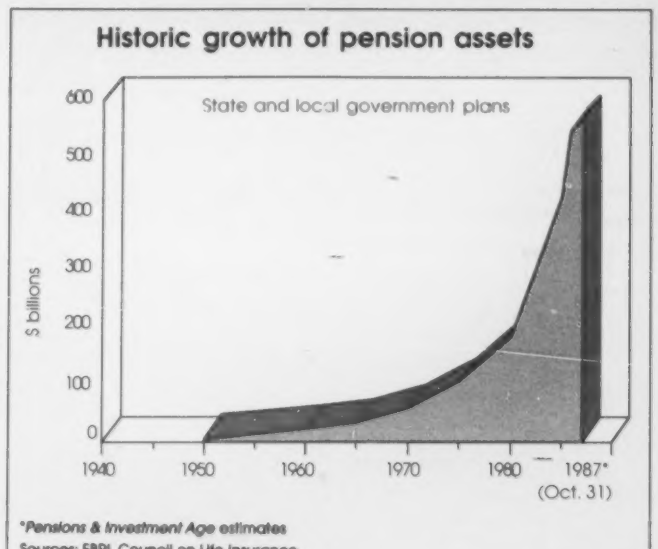


**Pensions & Investment Age* estimates
Sources: EBRI, Council on Life Insurance

BellSouth







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Datebook

Continued from page 34

cial Investment Management Exposition and Conference" will feature program trading and computers. For information call (212) 286-0333.

Feb.3-6, Captiva Island, Fla.: "Managing Portfolio Risk with Derivative Instruments" is co-sponsored by The Chicago Board of Trade and The Chicago Board Options Exchange. For information call the CBOE at (312) 786-7477 or the CBOT at (312) 347-3821.

Feb. 4-5, Dallas: Laventhol & Horwath is presenting the fourth annual Hotel-Motel Development Conference. For information contact Jill McDonough at (212) 980-3100, ext. 713.

Feb.8-11, Washington; **Feb. 23-26**, New York; **March 14-17**, San Francisco; **March 28-31**, Philadelphia; **April 11-14**, Chicago: The American Management Association is sponsoring a course on "Financial Analysis." For information call (518) 891-0065.

Feb. 10, Cleveland: "Techniques in Collecting Accounts Receivable" is presented by the Business and Professional Research Institute. For information call (802) 757-2396.

Feb. 17-19, Coronado, Calif.: The 12th annual "Tax and Business Planning" course is sponsored by the American Law Institute-American Bar Association Committee on Continuing Professional Education. For information contact Donald M. Maclay, director, at (215) 243-1630 or (800) CLE-NEWS.

Feb. 18-19, Miami: The Eighth Annual Southern Securities Institute is co-sponsored by the American Law Institute-American Bar Association and The Florida Bar Association. For information contact Donald M. Maclay, director, courses of study at (215) 243-1630 or (800)CLE-NEWS.

Feb. 25-26, Philadelphia; **April 7-8**, Atlanta; **April 7-8**, Boston: "Leasing Techniques and Analysis" is presented by the American Management Association. For information call (518) 891-0065.

REAL ESTATE

Jan. 12-13; Dallas; **Jan. 26-27**, Los Angeles: Laventhol & Horwath presents a seminar on "Real Estate Workouts." For information, call Jill McDonough at (212) 980-3100, ext. 713.

Jan. 14-15, New York: The Practising Law Institute presents "Securitization of Commercial Real Estate." For information, call (212) 765-5700, ext. 271.

Jan. 31-Feb. 2, Scottsdale, Ariz.: The National Council for Urban Economic Development presents a conference on "Mixed-Use Development: What's the Formula for Success?" For information, call (202) 223-4735.

Feb. 9-10, Los Angeles: The Pension Real Estate Association will conduct its 1988 winter meeting. For information, call (202) 296-4141.

CASH MANAGEMENT

Jan. 18-19, New York; **Feb. 1-2**, Fort Lauderdale, Fla.; **Feb.8-9**, New York; **Feb. 29-March 1**, Dallas; **March 7-8**, Washington, **March 14-15**, New York; **March 21-22**, Los Angeles; **April 11-12**, New York; **April 21-22**, Atlanta; **April 25-26**, Chicago: The American Management Association is presenting a corporate cash management seminar. For information call (518) 891-0065.

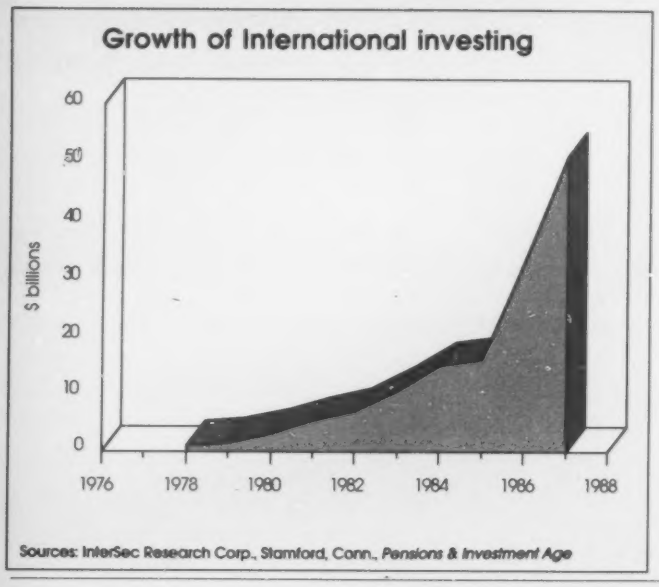
Jan. 20-21, San Francisco; **March 7-8**, Chicago; **April 25-26**, New York: The American Management Association is sponsoring "Advanced Treasury Management Strategies." For information call (518) 891-0065.

Feb. 1-3, New York; **March 9-11**, Chicago; **March 9-11**, Boston; **March 14-16**, Dallas; **April 13-15**, Philadelphia: The American Management Association is presenting "Credit Collection and Financial Management." For information call (518) 891-0065.

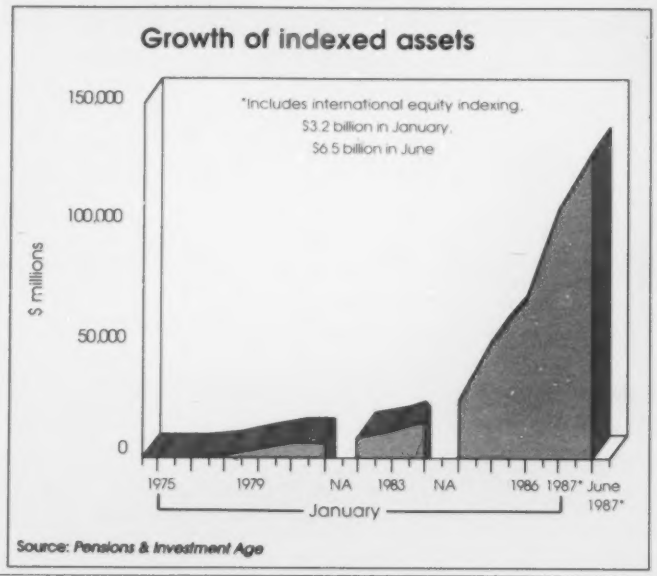
Feb. 10, Washington: The National Automated Clearing House Association is presenting "ACH Formats and Rules Seminar." For information contact Jody DeVoll at (202) 659-4343.

CORPORATE FINANCE

Jan. 20-21, New York: "Private Placements: What's Behind the New Appeal" is sponsored by the Institute for International Research. For information call (212) 883-1770 or (800) 345-016.



Sources: InterSec Research Corp., Stamford, Conn., *Pensions & Investment Age*



Source: *Pensions & Investment Age*

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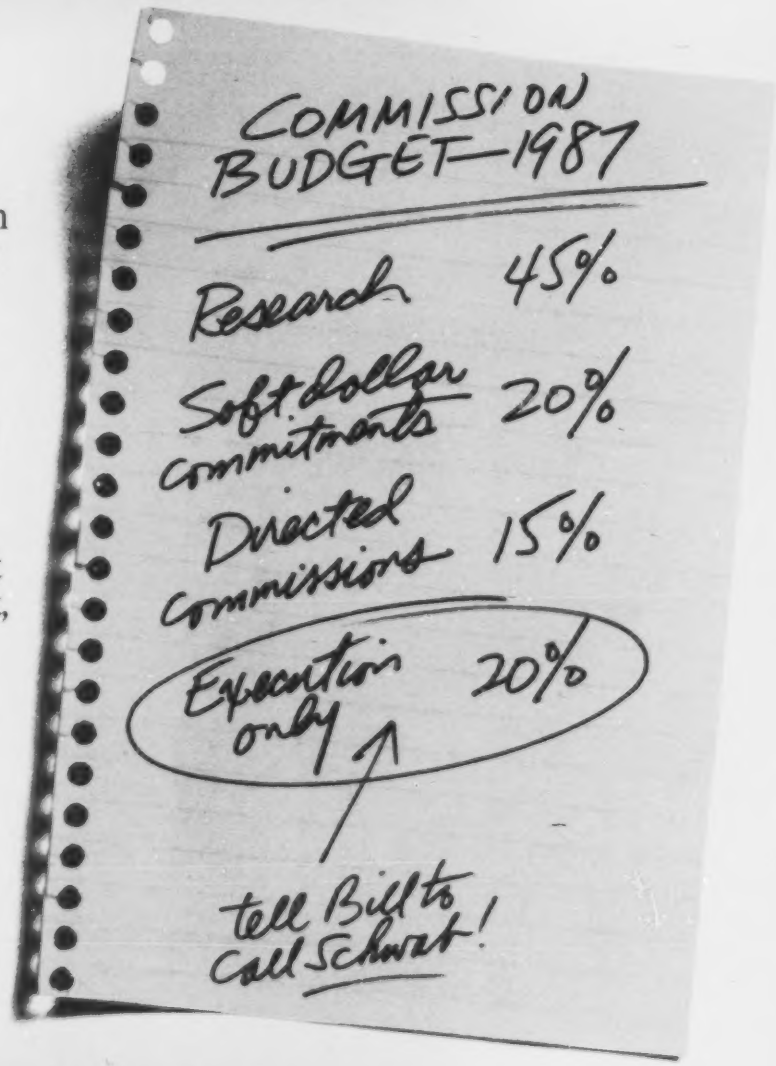


Charles Schwab
Institutional Trading

CHARLES SCHWAB & CO., INC./INSTITUTIONAL BROKERAGE SERVICES/MEMBER NEW YORK STOCK EXCHANGE, INC.

Letters

Continued from page 8

Consultant omitted

To the Editor: I was disappointed to note The Townsend Group was not listed as a real estate consultant on your recent review of consulting services.

The Townsend Group is an institutional real estate consultant that exclusively services tax-exempt funds. We offer no other services or products. We address only the asset class of real estate and act solely in the consulting capacity.

Prior to addressing the needs of tax-exempt funds, the Townsend Group had provided real estate consulting services since 1983 to investment brokerage firms, Big Eight accounting firms, insurance companies and Fortune 500 companies. Using the experience developed addressing the needs of these knowledgeable and demanding clients, we now provide our services solely to the tax-exempt funds.

The principals of the firm, Kevin W. Lynch and myself, offer more than 25 years of "hands-on" real estate experience. We pride ourselves in the unmatched personalized service we have been able to offer our clients. We accept only a limited number of clients so we can afford each the necessary time and attention required to develop a successful real estate portfolio.

We work with our clients to develop appropriate real estate portfolios or to review their existing portfolios and suggest revisions. We then administer their plan. Encompassed in this process are a number of specific services, only some of which may apply to any one fund. The most commonly used services include: establishing objectives, policies and procedures; conducting an adviser search; preparing investment criteria; performing property specific due diligence; compiling periodic performance analysis; and implementing our proven systems, controls and programs.

We can be reached at The Townsend Group, 1419 W. Ninth St., Cleveland, Ohio 44113; (216) 781-9090.

Thank you for your kind attention to this matter.

Terrance R. Ahern
Principal
The Townsend Group
Cleveland

Quantec not on list

To the Editor: The profile of Quantec/Quantitative Analysis Inc. was omitted from the Nov. 16 consultants directory. The profile is as follows:

Quantec/Quantitative Analysis Inc., 68 Laight St., New York, N.Y. 10013; (212) 925-7224.

Quantec provides systems for global asset allocation and portfolio risk analysis. Clients can use these systems to run active or passive portfolios in any of 18 different markets, and to manage global portfolios and currencey risk.

The firm has special expertise in applying quantitative investment techniques to global investments.

Quantec has 40 retainer clients and 15 non-retainer clients. Fees are payable in hard and soft dollars.

The client contacts are Jason MacQueen and Rosanne Pane.

Rosanne Pane
Quantec/Quantitative Analysis
New York

1,000 Largest Funds: Jan. 25

25 largest cash portfolios among Fortune 200 companies (as of Sept. 30)

Company	1987 ($ mils.)	1986 ($ mils.)	% change '87 vs. '86
Ford Motor	$9,128	$8,123	12.4%
IBM	6,753	7,920	– 14.7
Texaco	4,176	3,189	31.0
General Motors	3,765	3,921	– 4.0
Atlantic Richfield	3,596	3,662	– 1.8
Chevron	3,556	3,203	11.0
Boeing	3,290	3,918	– 16.0
Exxon	3,020	2,111	43.1
AT&T	2,910	2,148	35.5
Sun Co.*	2,455	2,150	14.2
Chrysler	2,405	3,169	– 24.1
General Electric	2,300	1,385	66.1
Digital Equipment	2,175	2,043	6.5
Hewlett Packard*	2,114	1,230	71.9
USX	1,899	2,639	– 28.0
Coca-Cola	1,627	1,816	– 10.4
Pepsico	1,405	1,244	12.9
Merck	1,380	833	65.7
Amoco	1,361	772	76.3
RJR Nabisco	1,323	703	88.2
Bristol-Myers*	1,255	1,123	11.8
Litton Industries	1,230	1,516	– 18.9
Archer-Daniels-Midland	1,221	774	57.8
America Home Products	1,097	736	49.0
Rockwell International*	1,048	730	43.6

* As of June 30
Source: Wright Investors' Service, Bridgeport, Conn.

Shielding . . .

Continued from page 2

vestment returns from the cash portfolio offset the higher debt payments.

Because of advantages such as these, most corporations tend to take a conservative approach to investing their cash portfolios.

Even Ford Motor Co., Dearborn, Mich., with perhaps the largest cash position at $9.128 billion as of Sept. 30, tends to invest only in high-quality money market instruments, according to a company spokesman.

Typical of most corporate cash investment strategies is the set of guidelines used by AT&T. Mr. Reiss said the investment criteria are safety, liquidity and yield.

Some companies are becoming more aggressive in their approach to corporate cash investments.

"Given substantial investors, you can find the entire spectrum" of investment strategies, said Alan G. Seidner, president of The Alan G. Seidner Co., a consulting and investment firm in Pasadena, Calif.

On one end of the spectrum are the "simplistic" strategies, he said. "By simplistic, I mean they buy instruments that are very straightforward." These investments tend to be part of a buy-and-hold approach, he added.

"Looking at the other end of the spectrum, you have an institution that has either a large internal staff or hire outside advisers," Mr. Seidner said. These companies may use part of their cash portfolio for less traditional investments such as futures, options and equity-based programs.

Mr. Lyness said the company executives are considering inclusion of equity-based strategies, such as dividend capture programs, in the investment guidelines.

"Our cash is all in fixed income," he said. "But, we constantly are reviewing our guidelines to make sure they're appropriate because so many new products keep coming out."

Mr. Lyness also said the company uses four outside investment firms — Mercury Warburg Investment Management Ltd., Lombard Odier Investment Management Services Ltd., N.M. Rothschild Asset Management Ltd. and CSFB Investment Management Ltd., all in London — to invest about 5% of its cash portfolio.

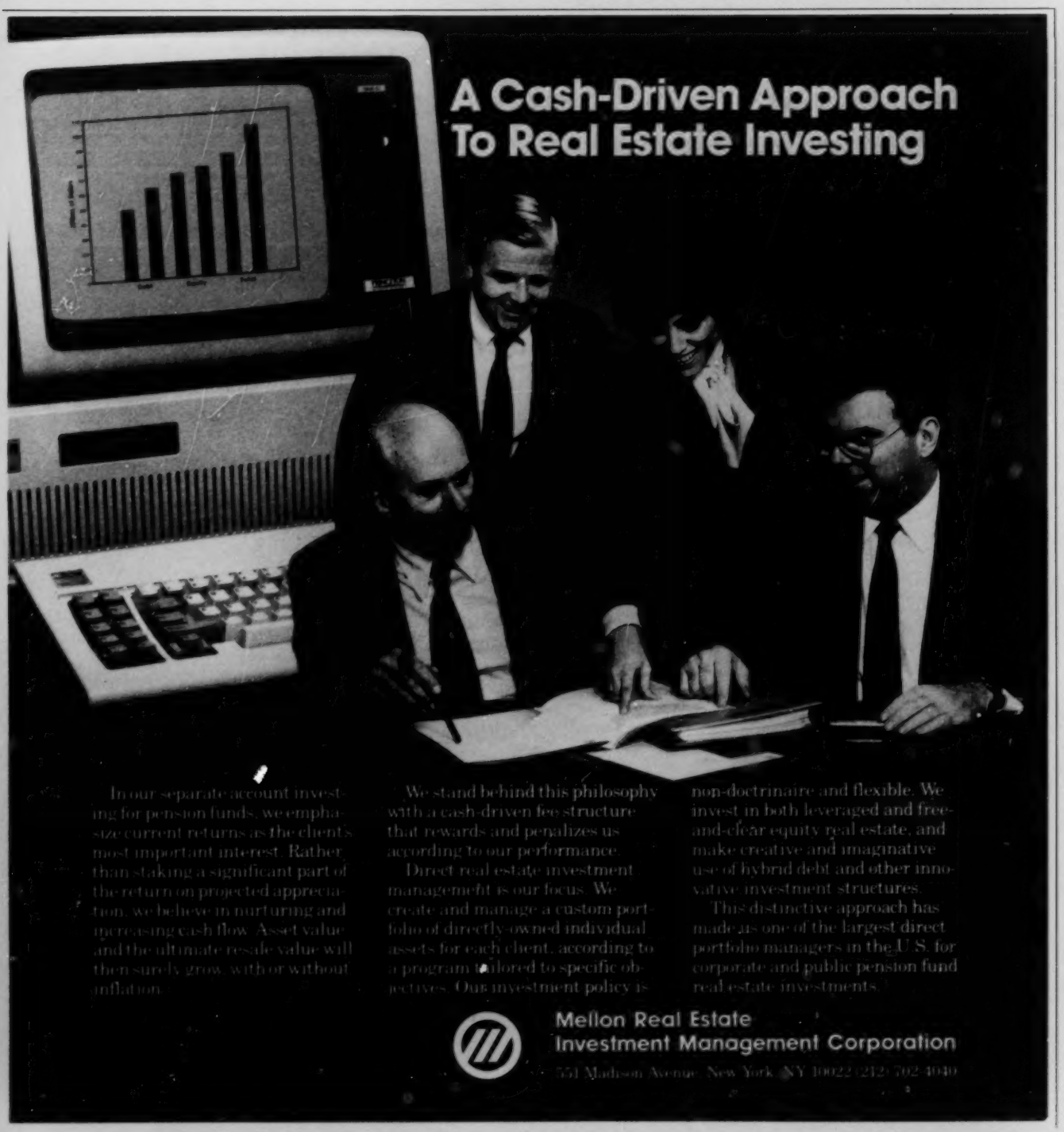
At Amoco, Mr. Murray said the company's domestic assets are invested conservatively because those funds are used for dividends, corporate taxes and other capital expenditures. The overseas assets, however, are invested more aggressively, he said.

"We have surplus funds (overseas) so we can use longer-term investments for yield enhancement. We have become active in the Eurocommercial paper market because of the yield enhancement possibilities," said Mr. Murray.

"It becomes not one monolithic cash pool, (but rather) it becomes 36 separate investment pools, both domestic and international, with different liquidity and yield requirements," he added.

Recent turbulence in the financial markets might have corporate cash investors rethinking some of their strategies.

Mr. Seidner noted many of the strategies, like index arbitrage, are based on the relationships between certain factors, such as the spread between the price of a futures contract to the underlying stock index. During the market's volatile periods, those relationships often broke down. "From my knowledge of the area I would have to say many of (these strategies) have been very disappointing and in fact costly," he said. ■


A Cash-Driven Approach
To Real Estate Investing
In our separate account investing for pension funds, we emphasize current returns as the client's most important interest. Rather than staking a significant part of the return on projected appreciation, we believe in nurturing and increasing cash flow. Asset value and the ultimate resale value will then surely grow, with or without inflation.
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New jobs coming in new year

Several pension industry executives will be taking leave of old jobs and facing new ones in 1988.

Leaving their positions are Robert W. Short of the New Mexico Educational Retirement Board, Santa Fe, and James A. Favia, president of Favia Hill & Associates, New York.

Taking on a new challenge is George Bruce, who has been appointed director of pension funds for the Vermont State Retirement Systems, Montpelier.

Mr. Short, investment officer of the internally managed $1.482 billion fund, will retire effective Feb. 1. No replacement has been named.

Mr. Favia is retiring from Favia Hill, the firm he helped establish as a wholly owned independent subsidiary of Chemical Bank in 1983.

He will remain with the firm until all of the accounts he manages can be transferred to a new senior equity portfolio manager, and will remain a member of the board, said Ken Dowd, managing director of Chemical Bank's Investment Group.

Mr. Dowd said Mr. Favia would help find the new portfolio manager.

Mr. Favia began his career with Chemical Bank in 1959 as an analyst and joined Kuhn Loeb in 1966, eventually becoming a partner and director of research. He rejoined Chemical in 1974 as research director.

In Montpelier, Mr. Bruce's appointment as well as that of Paul Ruse Jr., to the post of deputy state treasurer, follow the departure earlier this year of Edwin C. Gallison, the former deputy state treasurer who oversaw Vermont's pension fund investments.

The appointments were effective Dec. 1.

Mr. Bruce previously was a retiree adviser for the state; Mr. Ruse was city manager of Springfield, Vt.

Mr. Bruce will administer the $488 million Vermont State Retirement Systems, while Mr. Ruse will handle general treasury matters.

Mr. Gallison resigned earlier this year to become director of the $6 billion Arizona State Retirement System. ■

"THE ECONOMY IN THE FOURTH quarter has shown considerable momentum even after the market crash, so we enter '88 with pretty good conditions."

Richard Rippe

"THE DROP IN OIL PRICES HELPS keep inflation down, but it's not as important as the other aggregate factors."

Lacy Hunt

"PROGRESS IN THE BUDGET DEFICIT is vital to keep interest rates from going up, but since it's an election year you can't expect much progress there."

Francis H. Schott

Slow growth seen . . .

Continued from page 3

rise in industrial commodity prices.

"The drop in oil prices helps keep inflation down," he said, "but it's not as important as the other aggregate factors."

On the other hand, Mr. Rutledge expects only modest inflation, 2.8% in the first half and 3.5% in the second half, while Deborah Johnson and Edward Yardeni, senior economist and chief economist, respectively, of Prudential-Bache Securities Inc., New York, expect 3.5% inflation in the first half and 4.5% in the second half.

"We're in a productivity pop," said Ms. Johnson. "In times of good productivity, you rarely have to worry about inflation."

Deficits

Most of the economists expect improvement in the trade deficit in 1988, and some expect dramatic improvement.

While the 1987 trade deficit is expected to be about $175 billion, all but three of the economists — Messrs. Dederick and Hunt, and Robert Chandross, vice president and chief economist of Lloyds Bank in North America, New York — expect an improvement of at least $20 billion.

Several expect more significant improvements. Donald Straszeim, chief economist at Merrill Lynch Pierce Fenner & Smith Inc., New York, expects the trade deficit to decline to $124 billion, while PruBache's Ms. Johnson and Butcher & Singer's Mr. Brown expect it to drop to $100 billion.

However, the economists generally expect a slight worsening of the federal budget deficit, with all but one of the projections falling between $155 billion and $180 billion compared with about $150 billion for fiscal 1987.

"Progress in the budget deficit is vital to keep interest rates from going up, but since it's an election year you can't expect much progress there," said Frank Schott, senior vice president and chief economist at The Equitable Life Assurance Society, New York.

A number of the economists also expressed concern the Federal Reserve Board could clamp down on the money supply and induce a recession after the 1988 elections. ■

This article was written by Michael J. Clowes based on reports by Joel Chernoff, John Covaleski and Trudy Ring.

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Budget law . . .

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will become liable to the PBGC for the full amount of unfunded, guaranteed benefits, as well as become liable for additional benefits owed to plan participants.

- Special transition rules for the steel industry and allowance for case-by-case relief from the IRS for companies with special problems will ease compliance with the tougher minimum funding rules. Under the law, the steel companies will not have to improve their funded status by more than 1% for each of the first five years.
- The annual premium paid by employers to the PBGC will convert to a variable-rate basis. The base rate will nearly double to $16 from $8.50, but now a variable component of $6 per $1,000 in underfunding will be added, up to a maximum premium of $50 per participant.

The premium increase becomes effective Jan. 1, while the funding provisions become effective Jan. 1, 1989.

The package is a compromise worked out earlier this month among the four bills passed by the tax-writing and labor committees of the House and Senate.

Administration officials praised the bill, which included much of what the PBGC and Department of Labor had wanted.

"It will significantly enhance both the retirement security of American workers and retirees and the long-term financial integrity of the PBGC," said David M. Walker, assistant secretary of labor. "While it doesn't include everything we wanted, it does include everything we need."

"We think these are fundamental reforms that will go a long way to stabilize the system," said Kathleen P. Utgoff, PBGC executive director.

Ms. Utgoff said she believes the funding rules will work well for most employers and will target the ones who need improvement the most in a moderate way. The PBGC has a nearly $4 billion deficit, much of which is because of terminations — particularly of steel company plans. It has been lobbying for higher premiums and stronger funding to protect itself from further problems.

But some business and labor experts had problems with some rules.

The loss of deductibility for contributions when a plan's funding exceeds 150% combined with harsher minimum funding rules "will drive everyone crazy," said Sol Weinberger, managing partner at William M. Mercer-Meidinger-Hansen Inc., New York.

Corporations' ability to manage budgeting and forecasting will be impaired, because contributions will become more subject to trigger points, he said.

In addition, the shorter amortization rules for past-service liabilities will cost employers more in the short term to fund benefit increases. "I think this is a serious threat to future retirees getting cost-of-living-adjustments," said Richard Raskin, consulting actuary at The Wyatt Co., New York.

Another problem is that newly required quarterly payments on plan contributions will have to be estimated for many plans. If a subsequent valuation shows the plan to exceed the 150% funding limit, the employer could lose the deductibility for the contribution and be slapped with a 10% excise tax, said Ethan Kra, a principal at Mercer-Meidinger.

Other issues resolved in the final legislation include:

- Plans that are less than 60% funded would have to post a surety bond before they can vote any increase in benefits. Under a House Ways and Means proposal that did not reach the final bill, the PBGC would have been given a security lien on any company whose plan was less than 70% funded.
- A pension-portability provision was dropped.
- Floor offset plans set up after Dec. 17 must comply with the 10% limit on employer stock in both the defined benefit and defined contribution segments of the plan.
- A set of takeover-related taxes that threatened to bring corporate mergers and takeovers to a halt were dropped except for a 50% tax on "greenmail" profits payable only if the greenmailer gets a better price from the company for his stock than the other shareholders. ■

Thrift board picks Wells

WASHINGTON — The Federal Retirement Thrift Investment Board has hired Wells Fargo Bank San Francisco, to manage a stock index fund and a bond index fund.

The $1.4 billion fund, established in April, was created to offer federal employees a tax-deferred savings plan. It has the potential to grow explosively during the next decade.

The other investment option participants may choose is a fund investing in U.S. government securities. ■